NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

2016 NEBRASKA TOURISM AUDIT

Accountability, Integrity,
Reliability

Charlie Janssen, Nebraska State Auditor
Craig Kubicek, Assistant Deputy Auditor

2016 Mid-America Intergovernmental Audit Forum

NEBRASKA CASE STUDY

- Tourism Background
- Results/Significant Issues
- Timeline

NEBRASKA TOURISM COMMISSION HISTORY

- Travel and Tourism had been a division within the Nebraska Department of Economic Development until 2012.
- Nebraska Legislature created the Nebraska Tourism Commission, as a separate State Agency in July 2012.
- Agency overseen by nine commission members, who are appointed by the Governor.
- Funded mostly by a 1% Nebraska Lodging Tax.

Calendar Year	Lodging Tax
2006	$3,195,504
2007	$3,523,735
2008	$3,707,997
2009	$3,569,233
2010	$3,777,915

Calendar Year	Lodging Tax
2011	$3,935,109
2012	$4,304,439
2013	$4,513,568
2014	$4,836,480
2015	$5,275,367

2015 EXPENSE SUMMARY

(NOT INCLUDING PAYROLL)

Payees/Other	**Total**
Bailey Lauerman & Associates	$3,584,619
Swanson Russell	$178,259
Omaha Sports Commission	$150,000
Nelnet Servicing LLC	$71,337
NET Foundation - Television	$70,500
Cornhusker State Games	$63,883
Purchase Card Transactions (Multiple Payees)	$63,007
University of Nebraska - Lincoln	$50,197
GoodThink	$44,000
Most Valuable Publications	$41,500
Total Payments to Top 10 Payees	**$4,317,302**
Total Expenditures (Non-Personal Services)	***$5,203,578***
Top 10 payees as % of Total Expenditures	***83%***

INVOICE EXAMPLE

Nebraska Tourism Commission
Attn. Kathy McKillip, Executive Director
301 Centennial Mall - South
1st Floor, Box 98907
Lincoln, NE 68509-8907

Invoice Date	July 29, 2015
Invoice Number	P57427
Product	NATIONAL MARKETING CAMPA...
Contract Number:	#57394 04

Job (153400) SCENARIO PHOTOGRAPHY & VIDEOGRAPHY- PHASE FIVE

Work completed to date

Project management	$	7,636.00
Creative/design		5,209.50
Music composition/sound design		1,092.50
Photo retouching		322.00
Photography coordination		4,381.50
Photoshoot		29,095.00
Photography		30,579.05
Lone River Productions - Andy Anderson		
Audio/video production		3,000.00
Anderson Productions		
Travel expenses		5,207.79
Craft services, hotel accommodations, mileage, materials, supplies, and miscellaneous travel expenses related to preparation and execution of the photo and video shoots. For Rich Claussen, Mike Weitz, Ron Sack, Matt Emodi, Nebraska Tourism talent, production crew, and client who were present at the various locations throughout the state from May - June.		
Subtotal Amount		86,523.34
Sales tax		0.00
Invoice Total	$	86,523.34

ACTUAL SUPPORT FROM VENDOR

BL Credit – NETOUR Photo/Video Shoot.

SCOTTY'S RANCHLAND
FOODS
108 WEST HWY 20
Valentine, NE 69201

47-A

GROCERY

SF DIET TONIC WATER
3 @ $1.19 EA $3.57 F

LIQUOR

TANQUERAY GIN
2 @ $22.98 EA $45.96 T

PRODUCE

LIMES
1 @ 3 FOR $2.00 $0.67 F

BL Credit – NETOUR Photo/Video Shoot.

SCOTTY'S RANCHLAND
FOODS
108 WEST HWY 20
Valentine, NE 69201

48-A

BEER

COORS LITE CAN $10.95 T

BALANCE DUE $11.75
VISA $11.75
[S] XXXXXXXXXXXX2652
EXP. DATE: 00/2000
Seq. # = 814084
CHANGE $0.00

Total number of items sold = 1

SUB TOTAL $10.98

NETOUR Photo Video Shoot

BL Cre

STETSON'S CORNER STORE
101 HIGHWAY 92
LEMOYNE, NE
(308) 726-2369

ASHIER:
ITEM: C2

3 20# ICE
1 MB GOLD PACK 100'S*
1 DR. PEPPER 20 OZ. $1.89

$25.81
$0.33
$26.14

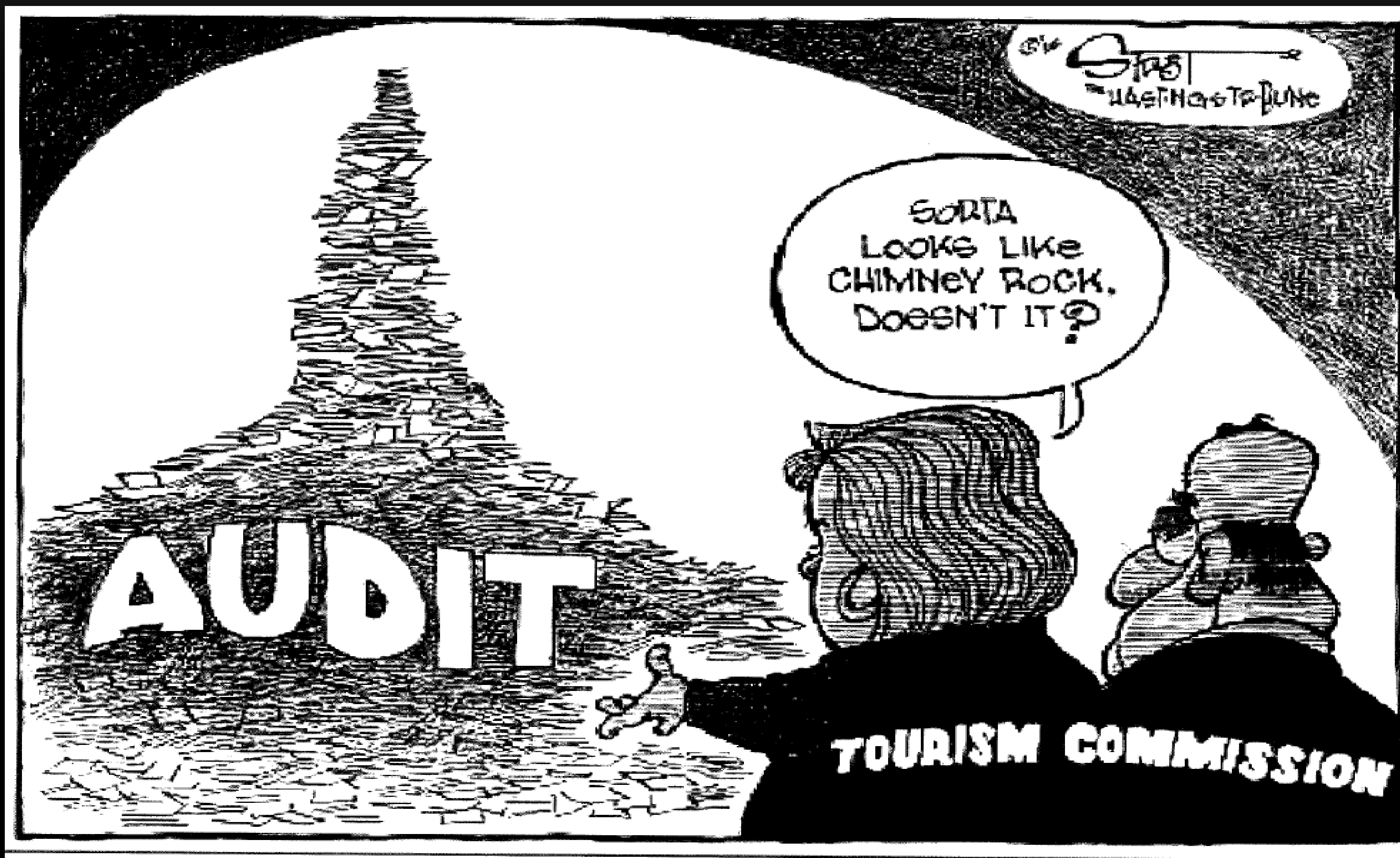
$26

QUESTIONABLE?

Other Significant Issues For Photo Shoot:

- Reimbursement for cash withdrawals.
- Director reimbursed $1,318 for mileage; however, gas was paid by Tourism credit card.
- Several missing props and other items.
- Bailey Lauerman paid over $47,000 for photo shoot staff time. One individual recorded 14.1 hours in a day with no breaks for breakfast, lunch, Dinner. (8:00 a.m. to 10:06p.m.
- Paid $2,775 to use State airplane for Commission employee to join shoot.

2016 NEBRASKA TOURISM COMMISSION AUDIT



2015 NEBRASKA TOURISM CONFERENCE

- Paid Mr. Shawn Achor $44,000 to speak for an hour and a half at the conference. Also paid for his lodging and meals.
- Three other speakers paid over $9,000; all less than an hour and a half.
- Paid for complimentary massages for conference attendees.
- Paid for 20 extra meals.

Conference Summary	Totals
Conference Revenues	
Sponsorships	$35,673
Registrations	$17,875
Total Revenues	*$53,548*
Conference Expenses	
Speaker Fees (Including Reimbursements)	$106,820
Conference Center Meals and Equipment	$13,995
Miscellaneous (Awards, Signage)	$9,583
Lodging (Staff, Commissioners, Speakers)	$5,940
Staff Reimbursements	$502
Commissioners Mileage	$351
Total Expenses	*$137,191*
Net Amount	**($83,643)**

2016 NEBRASKA TOURISM COMMISSION AUDIT

CONTRACT OVER BUDGET

Bailey Lauerman Contracts	Contract Term	Annual Budget	Total Order Per Contract Award
Website Development and Services	8/1/2013 through 6/30/2016	$200,000	$600,000
Marketing Services	8/1/2013 through 6/30/2016	$800,000 to $995,000	$2,587,500
Total Contracted Three Year Budget Award			**$3,187,500**
Amount Paid to Bailey Lauerman from August 1, 2013, through February 29, 2016			**$7,597,566**
Amount Paid to Bailey Lauerman Over Contracted Three Year Order Amount			**($4,410,066)**

Note: The historical amount paid to Bailey Lauerman was from the State Accounting System.

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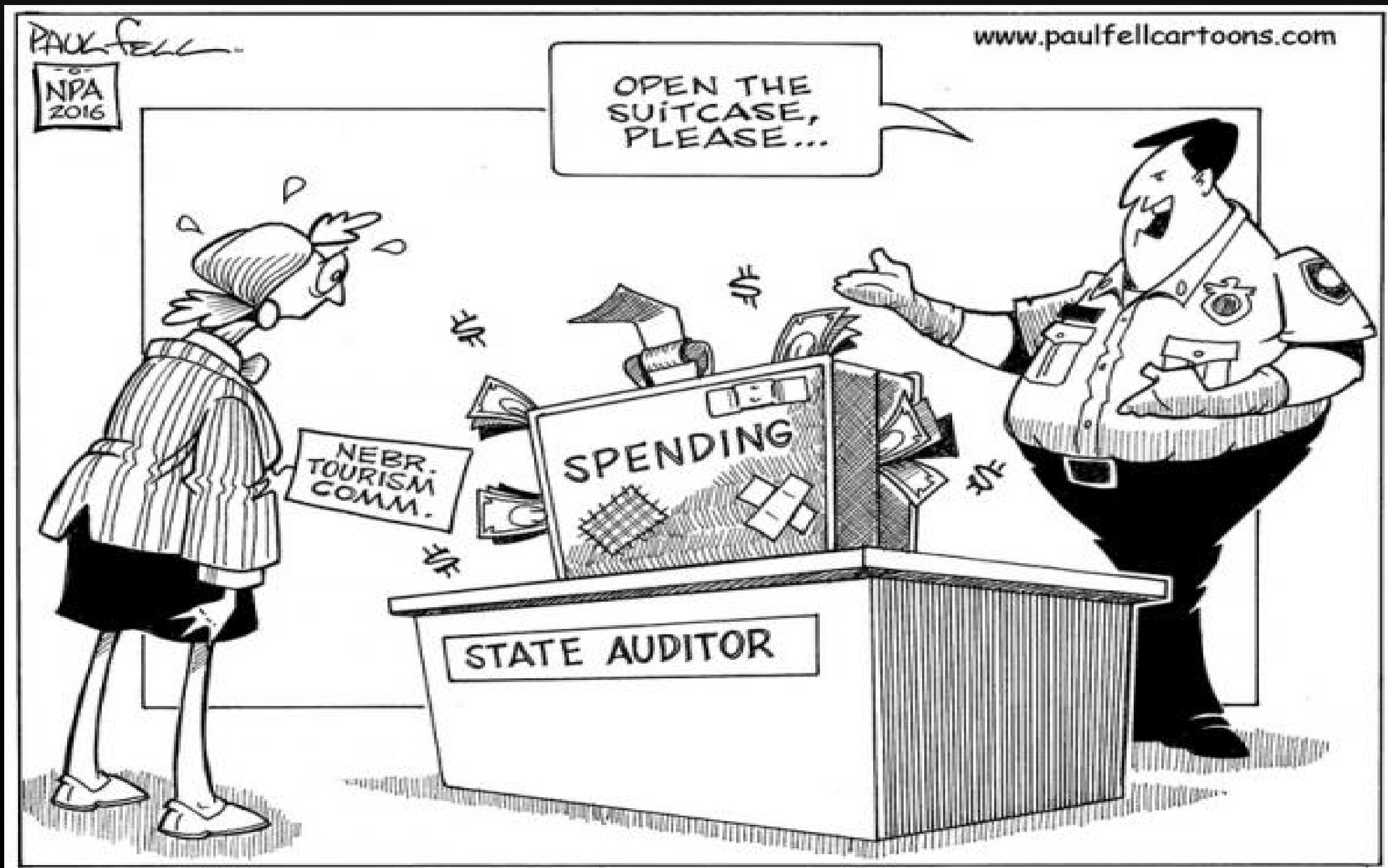

SUMMARY OF OTHER ISSUES

- On over 35 different occasions Bailey Lauerman paid for meals and drinks for the Director and her spouse, Deputy Director, Commissioner and spouse, or other employees.
    1. *Director and BL employee dinner at Crab House in Austin, TX for $255. Also, paid for lunch $109.*
    2. *Director and BL employee drinks at the Chuggin Monkey for $31.*
- Paid for Bailey Lauerman to attend out of State conferences including paying for an unoccupied hotel room at $320 per night.
- Paid $18,511 to relocate employee 217 miles; this included $8,000 for realtor's commission on her sold house.

AUDIT TIMELINE

- Report issued April 29, 2016.
- Report presented to the commissioners on May 3, 2016.
- Tourism Director put on paid investigatory suspension on May 13, 2016.
- Tourism Director fired on May 26, 2016.

The following is a link to the full report:

http://www.auditors.nebraska.gov/APA_Reports/2016/SA91-04292016-January_1_2015_through_December_31_2015_Attestation_Report.pdf

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QUESTIONS?