

Metro
**Metropolitan Exposition-
Recreation Commission**

***Portland Oregon Visitors
Association Contract***

September 2000

A Report by the Office of the Auditor



METRO

2000-10617-AUD

Alexis Dow, CPA
Metro Auditor



METRO

Office of the Auditor

September 8, 2000

To the Metropolitan Exposition-Recreation Commission and Metro Council:

The Metropolitan Exposition-Recreation Commission (MERC) obtains national marketing and sales assistance for the Oregon Convention Center by contracting with the Portland Oregon Visitors Association (POVA). POVA is a private, non-profit marketing organization that promotes convention business and tourism for the area. In FY 1999, MERC's contract with POVA was slightly more than \$2.2 million. We reviewed this contract to determine if it would allow MERC to effectively evaluate POVA's performance, and to determine if POVA was complying with contract provisions.

We found that in nearly all respects, POVA is complying with the provisions of the contract. However, incorporating performance indicators that are measurable and tied to clear goals and objectives could enhance the contract. POVA has taken an excellent first step toward this goal by proposing a number of measurable performance indicators to the contract for FY 2001.

Key recommendations of the report include:

- evaluating proposed indicators to see if they are acceptable and if others should be added
- establishing a plan for measuring POVA's performance using these indicators
- defining what constitutes an acceptable quality level for each service provided.

We reviewed a draft of this report with the Metropolitan Exposition-Recreation Commission Chair, George Bell. The last section of this report presents his written response.

We sincerely appreciate the cooperation and assistance provided by the Convention Center, MERC and POVA staff as we conducted this review.

Very truly yours,

A handwritten signature in black ink that reads "Alexis Dow". The signature is written in a cursive, flowing style.

Alexis Dow, CPA
Metro Auditor

Auditor: Leo Kenyon, CPA

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Executive Summary

The Metropolitan Exposition-Recreation Commission (MERC) obtains national marketing and sales assistance for the Oregon Convention Center (OCC) by contracting with the Portland Oregon Visitors Association (POVA). POVA is a private, non-profit marketing organization that also supplies similar services to the City of Portland and Multnomah County. POVA's job is to promote convention business and tourism for the area. In fiscal 1999, MERC's contract with POVA was for slightly more than \$2.2 million—about 41 percent of POVA's total budget. We reviewed this contract to determine whether it was structured in a way that would allow MERC to effectively evaluate POVA's performance, and to determine if POVA was complying with the contract's provisions.

As currently structured, the contract is very general and does not readily lend itself to objectively measuring POVA's performance. This is not to say that POVA is not doing quality work. Rather, the contract itself could be improved by adding performance indicators that are measurable and tied to clear goals and objectives. The City of Portland's contract with POVA has contained such indicators for several years.

POVA has taken an excellent first step towards developing such a contract. In May 2000, POVA proposed adding a number of measurable performance indicators to the contract for 2000-2001. To make this an effective solution, however, more needs to be done by MERC. Specifically, MERC needs to:

- evaluate the proposed indicators to see if they are acceptable and if others should be added
- define what constitutes an acceptable quality level for each service provided
- establish a plan for measuring POVA's performance using these indicators.

By doing this, MERC would be developing Metro's first large performance-based contract.

In nearly all respects, POVA is complying with the provisions of the contract. A review of all costs that POVA submitted for reimbursement in fiscal 1999 showed only a few items that needed to be improved or corrected. They involved providing quarterly reimbursement invoices to OCC and MERC in a more timely manner, ensuring that expense reimbursements are claimed in the year incurred, and promptly verifying the accuracy of totals on reimbursement invoices.

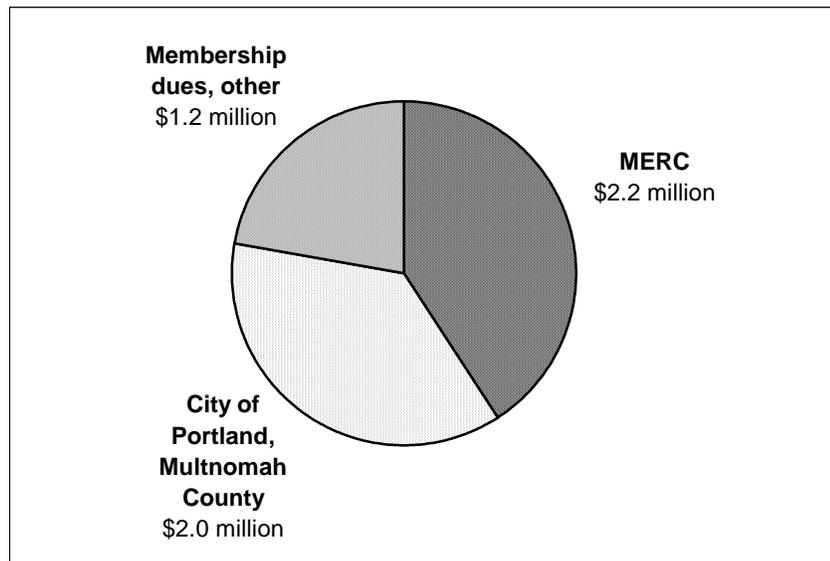
Introduction and Background

The Metropolitan Exposition-Recreation Commission manages the Oregon Convention Center. MERC has a contract with the Portland Oregon Visitors Association to promote the use of the Convention Center for conventions and other meetings. The director of the OCC administers the POVA contract.

Incorporated in 1978, POVA is an independent, nonprofit organization with a membership of about 1,000 businesses. Its mission is to strengthen the region's economy by marketing the metropolitan Portland region as a preferred destination for meetings, conventions and leisure travel. The MERC General Manager is part of POVA's 28-member board of directors, whose other members include representatives from the lodging industry, other area businesses, the City of Portland, and Multnomah County.

As Figure 1 shows, the MERC contract was the largest single source of POVA's revenues in fiscal 1999. In all, MERC provided slightly more than \$2.2 million, or about 41 percent of the total.¹ The City of Portland and Multnomah County provided nearly \$2 million, and about \$1.2 million came from membership dues and other sources. MERC has been contracting with POVA since 1987. The contract has been renewed several times – most recently in May 1999 for a 3-year period July 1, 1999 through June 30, 2002. In fiscal 2000, MERC paid POVA \$2,256,352 and has authorized \$2,281,479 to POVA for fiscal 2001.

¹ Of this amount, \$250,000 was passed on to a private minority convention and marketing organization – the Oregon Convention and Visitor Services Network, Inc. For fiscal 2000, this pass-through amount was \$255,000. The pass-through amount for fiscal 2001 is \$260,000.

Figure 1 – Source of POVA’s Fiscal 1999 Revenues**Objectives, Scope and Methodology**

Because the contract with POVA represents a sizeable expenditure of MERC funds, we reviewed it as part of our planned audit work. Part of our review involved evaluating whether the current contract was structured in a way that allowed MERC to effectively evaluate POVA’s performance, thus helping ensure that MERC was receiving a fair return for its expenditures. Another part of our review centered on evaluating POVA’s compliance with the contract’s provisions. We examined them to determine if the costs:

- were within the budget approved by Metro
- had been approved by the MERC
- were properly recorded
- were valid.

POVA had received an external audit of its financial statements for fiscal 1998 and fiscal 1999. That audit, conducted by Geffen Mesher and Company, P.C., concluded that "the financial statements... present fairly, in all material respects, the financial position of (POVA) as of June 30, 1999 and 1998." We relied on that financial information in the performance of our work.

To accomplish our objectives we:

- queried the internet for information on convention bureaus and more specifically on audits of such bureaus
- obtained and reviewed reports from consultants and other convention bureaus to benchmark POVA's performance
- reviewed the City of Portland's contract with POVA and the reports they provided to the City
- reviewed and evaluated the POVA business plans for fiscal years 1996 - 2001
- reviewed and evaluated guides to best practices for performance-based service contracting
- reviewed and evaluated POVA management reports for the first quarter of fiscal 1999 through the second quarter of 2000 as well as selected bi-monthly reports
- reviewed all vendor invoices paid by POVA in fiscal 1999 and verified the information on them to the quarterly invoices that POVA presented to MERC for reimbursement.

This work was done by :

- reviewing documentation provided us by POVA, OCC and MERC
- interviewing POVA, OCC and MERC officials
- considering relevant internal control standards.

We did not audit POVA's contract with the private minority convention and marketing organization – the Oregon Convention and Visitor Services Network, Inc.

Our audit was made in accordance with generally accepted government auditing standards. Fieldwork was conducted from February through June 2000.

Contract Should Include Measurable Performance Indicators

Service contracts should include measurable performance indicators, which allow contract administrators a means of objectively evaluating contractor performance. MERC's contract with POVA contains no such indicators.

In May 2000, however, POVA proposed adding a number of measurable performance indicators to the contract for fiscal 2001. This is a commendable proposal. To put it into effect, MERC should 1) together with POVA, establish a quality assurance plan that directly corresponds to the performance standards established by POVA; 2) measure POVA's performance; and 3) work with POVA to agree on what constitutes an acceptable level of quality.

Performance Indicators Provide Ways to Measure Contract Performance

Performance indicators are agreed-upon measures built into a contract so that both the contractor and the entity paying for the services can objectively determine whether important objectives are being met. For example, in a contract designed to market a city or a convention center, one important outcome is how much income these marketing efforts end up generating from tourists or convention groups that respond to the marketing efforts. Such a return on investment can be measured by comparing marketing expenditures to revenues attributable to those expenditures. Adding performance indicators to a contract should not be taken as an implication that the contractor is doing poor work. Rather, these indicators offer a way for everyone to agree about the quality of work that is being done.

Good performance measures, according to guides for best practices:

- are easily understood by prospective bidders, the organization requesting bids, and the general public
- focus on the results or desired changes and define a specific goal or level of performance expected from the contract
- consider both the quantitative (how much) and the qualitative (how well) aspects of a service

- are developed by engaging as many stakeholders as possible as early in the process as possible
- include a written definition and well-defined explanation of how data will be reported
- are realistic in terms of available resources, funding and timelines.

A government entity should identify a reasonable number of performance measures that are consistent with the contractor and entity's resources, according to guides for best practices. Two or three solid, meaningful outcome measures that address substantive changes as the result of services or product delivery requirements may provide more information than a large number of outputs that simply provide information on the quantity of services delivered.

**MERC's Contract
with POVA Should
Contain
Measurable
Performance
Indicators**

The contract between MERC and POVA consists of a marketing services agreement and scope of work. For the period July 1, 1996 through June 30,2000, neither document contained measurable tasks, deliverables, or benchmarks that could be used to evaluate POVA's performance. Instead, these agreements called for POVA:

- to deliver materials described in the scope of work
- to provide services and materials in accordance with the scope of work
- to comply with certain provisions of state law
- to maintain records relating to the scope of work on a generally recognized accounting basis
- to provide quarterly and year-end financial statements and progress reports on POVA's budget and sales activities, and present to MERC a 3-year budget program and strategic management plan that describes the necessary funding levels.

Some of these provisions, such as the progress reports, provide information about what POVA is doing. The public could benefit more if the contract included measurable performance indicators that could be used to objectively measure POVA's progress in meeting contract goals.

MERC Could Better Evaluate POVA's Performance with Measurable Indicators

Although MERC reviews some information about what POVA is doing, this review falls short of an evaluation of POVA's performance, because it does not provide agreed-upon standards to measure against, and because the information is not clearly tied to POVA's business plan goals. POVA provides MERC with monthly, bi-monthly (every two months) and quarterly reports that describe the performance and accomplishments of the POVA departments as well as financial information. These reports provide information such as:

- statement of financial position
- room tax revenue trends – 1990-91 to date of the last report
- statement of activities, revenues by sources, and year-to-date expenses by POVA departments to date compared to the same period in the previous year
- productivity of the Sales Division, Communications Department, Marketing Department, Services Division (convention, membership and visitors), and Cultural Tourism Department for the current month, year-to-date, and prior year-to-date
- definite and tentative room nights booked
- affirmative action statistics.

The quarterly reports also show convention sales during the quarter (number of bookings, number of bookings at OCC, tentative bookings and lost business), names of the client organizations, estimated number of attendees, total room nights and estimated economic impact.

The OCC Director told us that the monthly reports probably have the most useful information because they are reviewed and discussed by the full sales teams of both POVA and OCC. These teams gather once a month to determine how well each is doing in booking facilities and rooms. At these meetings, the two sales staffs compare their booking information to ensure that the staffs are coordinated in matching hotel rooms with OCC availability and making any last minute adjustments.

MERC officials told us that they review POVA's reports, but they do not monitor POVA's performance against POVA's business plans. They agreed that they would benefit from working with POVA to develop and use performance measures related to the business plan. They said that this would allow MERC management and the Metro Council to more easily monitor the performance of both OCC and POVA.

**City of Portland
Contract with
POVA Contains
Measurable
Performance
Indicators**

In contrast to the MERC contract with POVA, the City of Portland's contract contains performance indicators that provide the city with a more complete picture of what the agreement is accomplishing. These indicators were developed as a result of a 1996 review by the Mayor's Tourism Advisory Committee. POVA developed a business plan for 1996-1998 describing four strategic initiatives for marketing, sales, services and communications. Each of these initiatives were further broken down into measurable expected performance indicators such as percentage increases in business, numbers of meetings with tour planners and clients, rate of return on investments, etc. The initiatives and outcomes are shown in Table 1. POVA has since developed a more recent business plan and program of work (covering fiscal years 1999-2001), which is even more detailed—showing more goals, strategies for achieving them, and measurable outcomes expected. POVA provides regular progress reports to the City showing how POVA is doing in meeting these goals.

Table 1 – Objectives and Performance Indicator Examples in City of Portland’s Contract with POVA

<u>Objective</u>	<u>Examples of Performance Indicators</u>
Increase the rate of return on investment for all operations.	<ul style="list-style-type: none"> • Calculate the return on investment from POVA convention sales and marketing. • Calculate the return on investment based on specific tourism programs such as cultural tourism, packaging programs and other destination marketing.
Measure and increase industry awareness of, and participation in, POVA programs.	<ul style="list-style-type: none"> • Conduct a biennial survey (in even numbered years) of the visitor industry to gauge knowledge and enthusiasm for POVA programs. • Develop a program to ensure broad representation from Multnomah, Clackamas and Washington Counties in each of the following categories: accommodations, dining, transportation, attractions/activities, retail and services.
Measure and increase customer satisfaction	<ul style="list-style-type: none"> • Conduct a biennial survey (during even number years) of Portland customers and stakeholders (members and non-members). • Conduct at least 2 surveys per year of meeting planners and local chapters of convention-going organizations to gage customer satisfaction with regards to POVA's performance in assisting these groups in soliciting, planning and servicing their conventions.
Ethnic minority tourism and convention	<ul style="list-style-type: none"> • Increase minority membership in POVA to ensure that Portland's ethnic minority industries and organizations are tapped into the local tourism and convention industry. • Submit a report to the City detailing its progress increasing and incorporating ethnic minority programs.

MERC Should Convert Its Current Contract with POVA to a Performance-Based One

We believe that MERC would benefit from converting its current contract to a performance-based service contract. In May 2000, POVA took the first step in moving in that direction by proposing measurable performance indicators as part of its scope of work for fiscal 2001. To complete the process, MERC would need to take the lead in developing other elements that are important to performance-based contracting. By doing this, MERC would be developing Metro’s first large performance-based contract.²

Performance-based service contracts are designed to ensure that 1) appropriate performance quality levels are achieved, 2) payment is

² The only other such Metro contract is for janitorial services.

made only for services that meet these levels, and 3) contractors are given freedom to determine how to meet the objectives. These contracts emphasize that all aspects of acquisition be structured around the purpose of the work. This approach is different from contracts that structure the acquisition around the manner in which the work is to be performed or around broad, imprecise statements of work which preclude an objective assessment of contractor performance. Performance-based contracts include three basic elements described in Table 2.

Table 2 – Basic Elements in a Performance-Based Contract

<u>Element</u>	<u>Explanation</u>
Performance work statement	States the required services in terms of output, includes a measurable performance standard for output, and specifies the acceptable quality level
Quality assurance plan	Defines what a government must do to ensure that the contractor has performed in accordance with the performance standards
Acceptable quality level	For each service or output, describes a maximum allowable error level or variation from the standard

POVA has already developed a performance work statement in its scope of work for fiscal 2001. On May 12, 2000, POVA sent MERC a proposed scope of work describing the sales and marketing efforts POVA intended to accomplish. It contains measurable outcomes for four main areas: direct sales; marketing, advertising, and promotion; communications (public relations); and convention services. This is a commendable proposal and the first step in making contracts that can be used to measure and improve contractor performance. It describes the efforts desired in terms of measurable performance standards—that is, "what, when, how many, and how well" the work is to be performed. It is structured around what is to be performed rather than how to perform it. Appendix A shows the specific performance indicators, and Appendix B shows the results for one common performance indicator (return on investment) for fiscal years 1997-1999. MERC and POVA should jointly review these outcomes to determine if they are sufficient or if others should be included, such as those in the POVA/City of Portland contract.

The work needed for the final two elements of a performance-based contract is more extensive. MERC should now develop a quality assurance plan that directly corresponds with the performance standards contained in POVA's performance work statement. This quality assurance plan will enable MERC's contracting officer to determine if POVA's services met the requirements of the performance work statement. The quality assurance plan should be developed jointly by POVA and MERC so that both parties are aware of and agree with the expected outcomes.

Finally, an acceptable quality level should be established and agreed to by the parties. Each output should establish a maximum measurable allowable variation from the standards set in the performance work standards. Positive and/or negative performance incentives based on the quality assurance plan should be included in the contract.

Conclusions and Recommendations

POVA's proposal to include measurable outcomes in its contract with MERC is a commendable first step to developing a performance-based contract. MERC should develop a quality assurance plan that will allow the MERC contract officer to determine if POVA's performance met the outcomes promised in the work statement. With a quality assurance plan in place to evaluate the quality of POVA's performance, MERC will be able to objectively judge whether POVA is complying with its contract.

We recommend that MERC meet with POVA and jointly agree upon outputs to be included in a quality assurance plan. Once the plan is in place, MERC should use it to determine if POVA is complying with the conditions of the contract. Finally POVA and MERC should jointly establish and agree to an acceptable quality level for each output that can be used to provide positive and/or negative incentives depending upon compliance with quality assurance plan.

Observations from Reviewing Fiscal Year 1999 Invoices

In nearly all respects, POVA is complying with the provisions of its contract with MERC. We reviewed all vendor invoices that POVA paid and submitted to MERC for reimbursement in fiscal 1999. Our review included checking to determine whether each vendor invoice was correctly 1) approved by a POVA department head, 2) included in a summary schedule that showed the vendor's name, invoice number, and amount, and 3) totaled and recorded on the POVA invoice presented to MERC for reimbursement. We also checked to see if staff charges claimed by POVA were in compliance with the contract's scope of work. We found only a few errors, which we reported to MERC management for resolution. These errors are discussed briefly below.

Require More Timely Billing

POVA's quarterly invoices were not presented to MERC for reimbursement in a timely manner. These quarterly invoices were sometimes not submitted for 4-9 months after the closing date. MERC officials said that POVA often was not prompt in providing accounting information. They said, however, that since MERC only pays POVA the amount provided in the MERC budget, they do not have to be concerned about MERC overspending their appropriation in a fiscal year. If POVA invoices and spends more money than MERC appropriates to them, POVA must absorb the costs.

Request Better End-of-Year Cut-Off

In several cases, expenses incurred in one fiscal year were claimed for reimbursement in a different fiscal year – a practice that is contrary to generally accepted accounting principles. None of the instances was for more than a few thousand dollars – not material enough to warrant corrections to the financial statements. We discussed these instances with MERC officials, who said they probably were the results of sales staff not understanding that expense vouchers must be cut off at the end of a fiscal year. The officials said they will clarify with POVA that expense accounts due at year's end will be paid in current year's dollars.

Improve Invoice Verification Procedures We identified three instances of erroneous payments of invoices. Two resulted in POVA not receiving as much reimbursement as it was entitled to – a total of \$2,248. A third resulted in MERC paying POVA \$21,375 more than it was entitled to. Subsequently, POVA found a fourth error, which we verified, where they had not claimed \$18,375 they were entitled to. These amounts were ultimately adjusted, and MERC was not harmed. We believe, however, that reconciling copies of paid vendor invoices to quarterly report summaries is a logical control to guard against such payments in the future.

Recommendations To improve the timeliness of billings, POVA should present quarterly reimbursement invoices within 30 days of the end of each quarter. To help ensure that claims are paid against the correct year's funds, POVA should instruct its sales staff to submit claims that, at year-end, are matched to the proper year. Finally, to help guard against incorrect payments in quarterly reimbursement invoices, MERC staff should trace and verify copies of the paid vendor invoices to the attached quarterly report summaries. Based on our experience, such verification should take about half a day.

Appendix A

POVA's Proposed Outcomes for Fiscal Year 2001 Statement of Work

POVA'S Proposed Outcomes for Fiscal Year 2001 Statement of Work

<u>Area</u>	<u>Anticipated Outcomes</u>
Direct Sales	<ul style="list-style-type: none"> • Return on investment based upon business booked in current fiscal year for future years of \$41 to \$1. (See Appendix B for return on investment for the preceding 3 fiscal years). • Develop qualified leads representing 1.3 million tentative room nights. • Produce future convention bookings representing 250,000 definite room nights. • Arrange and conduct a minimum of two executive airlifts each year with a minimum attendance of 12 highly qualified organizations per airlift. • Attend industry trade shows to develop qualified leads representing a minimum of 500,000 tentative room nights.
Marketing, Advertising and Promotion	<ul style="list-style-type: none"> • Design and implement two direct mail campaigns to 1,000 targeted meeting planners and association executives. • Complete nine sales trips to meet with approximately 180 qualified meeting planners and organizations in order to finalize meeting arrangements in Portland. • Complete nine bid trips to compete for and enhance Portland's opportunity to book business.
Communications (public relations)	<ul style="list-style-type: none"> • Work with trade media that results in \$125,000 worth of convention center related editorial placement during the fiscal year. • Successful publication and distribution of the <i>Portland Oregon Convention & Meeting Planners Guide</i> to 2,500 meeting planners. • Conduct 6 site tours per year that results in \$36,000 worth of positive media coverage on Portland.
Convention Services	<ul style="list-style-type: none"> • Return on investment based upon business occurring during the fiscal year of \$119 to \$1. • Conduct 30 local site inspections. • Participate in 20 promotional trips. • Assist 30 major convention groups in pre-convention attendance building and delegate extended stay programs. • Distribute 50,000 promotional pieces on behalf of meeting planners. • Provide 20,000 room nights of housing assistance as requested by meeting planners.

Appendix B

Three-Year Comparative Analysis of Return on Investment

Three-Year Comparative Analysis of Return on Investment

One of the principal measures of any convention center's accomplishments in bringing business to a city is its return on investment (ROI). This was not measured in the earlier MERC/POVA agreements or scopes of work. However, it is part of the proposed outcomes that POVA submitted in its statement of work for fiscal 2001. The table below shows the ROI for fiscal years 1997 – 1999, using data supplied by POVA. The total economic benefits are divided by that portion of the MERC contract that was expended on convention sales and marketing programs and activities – not on the total contract amount (\$2,212,111 in 1999).

Return on Investment, Fiscal Years 1997-1999

	Fiscal Year		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
Economic Benefits			
Hotel: average daily hotel rate times number of room nights	\$ 20,918,311	\$ 24,767,559	\$ 24,390,839
Other spending: average daily spending rate times average travel party size	<u>36,556,272</u>	<u>43,283,421</u>	<u>42,617,470</u>
Total	<u>\$ 57,474,583</u>	<u>\$ 68,050,980</u>	<u>\$ 67,008,309</u>
Investments			
MERC only	\$972,734	\$1,242,632	\$1,619,725*
All POVA resources	\$1,608,972	\$1,872,885	\$1,843,505
Return on Investment (total economic benefit divided by dollars invested)			
MERC only	\$59.09 to \$1	\$54.76 to \$1	\$41.37 to \$1
All POVA resources	\$35.72 to \$1	\$36.33 to \$1	\$36.35 to \$1

*Includes (1) \$200,000 transfer contract for Oregon Convention and Visitor Services Network not included in previous years and (2) \$112,000 to open a Chicago-based sales office.

Response to the Report



arts. sports. conventions. shows.

METROPOLITAN EXPOSITION-RECREATION COMMISSION

September 7, 2000

Alexis Dow, Auditor
Metro
600 NE Grand Avenue
Portland, Oregon 97232

RE: MERC Response to Draft Audit of POVA Contract

Dear Ms. Dow:

Introduction

Thank you and your staff for the helpful and cooperative approach you took to analyzing our marketing agreement with the Portland Oregon Visitor's Association.

The Metropolitan Exposition Recreation Commission is satisfied with the thorough process utilized by your office to evaluate the POVA contract. Much care was taken to evaluate and benchmark this agreement and MERC agrees with the Auditor's recommendations. Specifically, we agree with your recommendation to add formal performance measures to our agreement with POVA, and I have asked the MERC staff to begin working with POVA to make sure that this is accomplished in a timely manner. As you have noted in your audit's Executive Summary, by adding these type of performance measures MERC will be developing Metro's first large performance based service contract. We agree that adding these sorts of measures to service agreements make sense, and are consistent with MERC's business goals. Our staff is working to implement your recommendations.

In our response, we begin by detailing what MERC currently does in order to evaluate POVA's performance, and end with our plan to enhance our relationship with POVA by implementing your recommendations.

Current Situation

Overall, MERC is very pleased with the Portland Oregon Visitor's Association's handling of the Sales and Marketing Contract, which is designed to attract high-yield national and regional conventions to the Oregon Convention Center. In fulfilling its contract, POVA has generated an extremely strong return on investment for both the Oregon Convention Center operation and the regional hospitality industry -- \$41 generated for every dollar invested.



This return on investment, as well as many other performance indicators, is included in the many reports generated by POVA for OCC, MERC, Metro, the City of Portland, and Multnomah County. POVA continually distributes detailed accounts of its sales and marketing activities to its many industry partners, including MERC. In addition, POVA has a policy of copying its quarterly reports to all members of the Metro Council and the Executive Officer, as well as to the members of the Portland City Council and the Multnomah County Commission. MERC is also provided quarterly reports as well as meeting with the Commission to discuss the efforts of POVA and discuss in detail their work program in the annual budget process. Regular communication and meetings with the OCC and MERC staffs ensure that information flows freely and productively between the organizations.

Currently, MERC reviews the POVA contract annually in the following fashion:

- financial statements are reviewed
- room nights generated for OCC are compared to goals established by POVA in their work plan
- staff reviews the continuous sales efforts to reach OCC room night goals
- all invoices are reviewed and approved before payment to determine validity towards the established sales and marketing efforts in the POVA program and our staff are in continuous contact to determine direction for marketing of OCC and the city to convention business.

Future Steps To Implement Audit Recommendations

We concur that our agreement with POVA can be improved by the addition of service performance measures. What follows is our plan for implementing your recommendations.

POVA's Business Plan contains extremely detailed convention sales goals and outlines a number of production indicators to measure the associations' progress against those goals. We intend to incorporate these (and other) performance indicators and measurement strategies into POVA's contract with MERC. We also plan to include additional goals and measurable performance indicators suggested by POVA to us in an exchange of correspondence in May of this year.

MERC and OCC are currently reviewing the indicators to be added to the POVA/MERC contractor for 2000-01. We also agree with the Auditor that measurements should be established to ensure both performance of goals and that a quality assurance plan be created to determine if such outcomes promised in the work statement are actually met.

To address the specific recommendations of the Metro Auditor, I have asked MERC staff to do the following in conjunction with POVA by the end of October 2000:

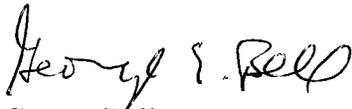
- 1) Incorporate goals and indicators of performance for this contract. There will be a minimum of six goals to be developed.
- 2) Establish a plan for measuring POVA's performance using these goals, to include quarterly reviews, documentation of how POVA will meet these goals and review of the Business Plan relating to the agreed upon goals.
- 3) Develop what constitutes an acceptable quality level for each goal established.

In discussions with our staff, POVA has committed to the following in conjunction with MERC by the end of October 2000:

- 1) Submit reimbursement invoices no later than 45 days from the end of each quarterly period and carefully review and verify totals.
- 2) Continue to involve OCC/MERC leadership in development, implementation and evaluation of OCC marketing strategies and implementation programs.
- 3) Continue to submit quarterly progress reports to OCC, MERC, and Metro leadership in a timely manner.

Again, MERC applauds the efforts of the Metro Auditor for bringing to our attention a different way of reviewing POVA's performance. MERC understands the need to establish performance goals, create a plan to measure these goals and define acceptable levels of quality performance to be reviewed by MERC. MERC will work with POVA's staff to develop these three additions to the 2000-01 contract and for future contracts as well.

Sincerely,



George Bell
MERC Chair

cc: Metro Executive Officer
Metro Councilors
MERC Commissioners
MERC General Manager



Metro Auditor Report Evaluation Form

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Potential Impact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Suggestions for our report format: _____

Suggestions for future studies: _____

Other comments, ideas, thoughts: _____

Name (optional): _____

Thanks for taking the time to help us.

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