



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Auditor Mike Harmon: Continued Issues Tracking Compliance, Financial Information Preventing Proper Oversight of Local Tourism Commissions

Concern identified in latest data bulletin regarding impact of tourism in Kentucky

FRANKFORT, Ky. (July 16, 2020) – A new data bulletin released by Auditor Mike Harmon’s office focused on the impact of tourism on Kentucky’s economy highlights the continued failure to properly track whether the vast majority of local tourism commissions are compliant with requirements for special purpose government entities, or SPGEs.

Following a 2012 special examination by the Kentucky Office of the Auditor of Public Accounts, the General Assembly overwhelmingly passed House Bill 1 during the 2013 Regular Session, which created a registration system for SPGEs to submit administrative and financial information to the Department for Local Government (DLG). The law also requires DLG to report any SPGE, which includes at least 90 of the 116 local tourism commissions in Kentucky, that aren’t compliant with these requirements to the Auditor’s office and the Finance and Administration Cabinet.

“What our bulletin reveals is, despite requirements under the law, our office only receives at best a partial list of noncompliant SPGEs each year. That information does not include those SPGEs who have failed to meet audit requirements,” Auditor Harmon said. “Tourism is a multi-billion dollar industry in Kentucky. The failure to track whether tourism commissions considered SPGEs are managing funds properly is seriously concerning to me, and should be concerning to every taxpayer in Kentucky.”

Auditors provided additional details as to the failure by DLG to track compliance by SPGEs, which dates back at least two years.

“Since at least 2018, DLG has maintained that these issues would be resolved soon with the development of an improved system; however, the issues have remained unaddressed, and DLG has failed to provide a non-complier list to the APA since the one provided for fiscal year end 2018 (June 30, 2018). As recently as June 2020, DLG staff reported that the SPGE website is no longer available for SPGEs to submit their information online, and due to programming errors, DLG staff must manually process and gather the data needed to provide SPGE compliance information,” auditors wrote in the data bulletin.

DLG has indicated that it is currently working with the Commonwealth Office of Technology (COT) to create a new SPGE system.

“The continued inability of DLG to track and report audit noncompliance limits the ability of the Auditor’s office to help ensure SPGEs are transparent and accountable with the taxpayer funds they receive, and I sincerely hope the new administration at DLG make it a priority to get this issue corrected,” said Auditor Harmon.

“While our data bulletins are compiled solely to provide information to the public and are not a full audit, the issues identified could prompt our office to take a deeper dive and examine the failure to ensure local tourism commissions and other SPGEs are compliant with the law,” Auditor Harmon continued. “Our office similarly took a look at multi-county regional jails in a data bulletin released last year, and we initiated an audit of one regional jail that we discovered had never obtained an audit as required by law.”

According to information compiled in May 2019 by the Department of Tourism, visitors to Kentucky spend nearly \$7.6 billion in 2018, which represented a 21.5% increase since 2013. Tourism provided for more than 95,000 jobs in 2018, and on average reduced the amount of taxes needed from Kentucky households by nearly \$500. The data bulletin also examined the highest total revenues of SPGE tourism commissions for the latest fiscal year available:

Figure 4: Ten SPGE Tourism Commissions reporting the highest total revenues for FY 2019

Tourism Commission	Direct Tax Revenues	Total Revenues
Louisville Convention & Visitors Bureau	\$ 33,656,526	\$ 36,191,786
Lexington Convention & Visitors Bureau	7,821,671	8,248,459
MEETNKY/Northern Kentucky Convention & Visitors Bureau	5,351,572	5,896,701
Elizabethtown Tourism Bureau*	0	4,364,946
Bowling Green Area Convention & Visitors Bureau*	0	3,362,810
Shepherdsville-Bullitt County Tourism	1,763,781	2,458,077
Morehead Visitor Center	1,600,608	1,811,421

Hopkins County Tourist and Convention Commission*	0	1,715,978
Oak Grove Tourism	1,269,294	1,467,120
Corbin Tourism and Convention Commission	1,433,533	1,440,913

Source: APA, based on 2019 Financial Disclosure Reports provided to Department for Local Government.

* The 2019 Financial Disclosure Reports identified revenue sources such as intergovernmental revenues, charges for services, interest earned, and other non-specific revenues. Audits identify intergovernmental revenues for this entity consisted almost entirely of taxes collected from hotels and restaurants by the related city or county instead of the commission itself.

“Whether it be our state parks, the vast array of outdoor activities like our lakes or outdoor theaters, historical tours, the Kentucky Bourbon Trail, or other related attractions, our data bulletin shows the important role local tourism commissions play in our economy,” said Auditor Harmon. “That fact only further illustrates the need for transparency in knowing who is compliant or noncompliant with statutes relating to SPGEs.”

The entire data bulletin, “An Examination of Local Tourism Commissions,” is available for review on the [auditor’s website](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.



www.auditor.ky.gov