Office of the State Inspector General

Virginia Tourism Corporation

Performance Audit

October 2025

Michael C. Westfall, CPA
State Inspector General

Report No. 2026-AUD-006

COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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October 6, 2025

The Honorable Glenn Youngkin
Governor of Virginia
P.O. Box 1475
Richmond, VA 23219

Dear Governor Youngkin,

The Office of the State Inspector General (OSIG) contracted with Sikich CPA, LLC, to conduct a performance audit of the Virginia Tourism Corporation (VTC). The final report is attached and VTC's corrective action plan is included as Appendix A of the report.

OSIG would like to thank VTC President and CEO Rita McClenny and her staff for their cooperation and assistance during this audit.

Please contact me should you have any questions.

Sincerely,

Michael C. Westfall, CPA
State Inspector General

cc: The Honorable John Littel, Chief of Staff to Governor Youngkin
Justin Vélez-Hagan, Deputy Chief of Staff to Governor Youngkin
Kate Stockhausen, Assistant Deputy Chief of Staff to Governor Youngkin
Juan Pablo Segura, Secretary of Commerce and Trade

Luis Lopez Stipes, Deputy Secretary of Commerce and Trade
Senator R. Creigh Deeds, Chair, Senate Commerce and Labor Committee
Delegate Jeion A. Ward, Chair, House Labor and Commerce Committee
Rita McClenny, President and CEO, Virginia Tourism Corporation
Mike McMahon, VP of Operations and Finance, Virginia Tourism Corporation
Staci Henshaw, Auditor of Public Accounts

AT A GLANCE: VIRGINIA TOURISM CORPORATION AUDIT RESULTS

Background

The Virginia Office of the State Inspector General (VA OSIG) contracted with Sikich CPA LLC (Sikich or we) to conduct a performance audit of the Virginia Tourism Corporation (VTC). The audit was designed to accomplish the following three objectives:

1. Determine the extent to which VTC's advertising strategies align with its overarching goals of promoting tourism in the Commonwealth.
2. Evaluate the grant allocation process and assess how VTC measures the extent to which grant-funded projects are contributing to the development and enhancement of tourism in the Commonwealth.
3. Determine the extent to which VTC has implemented documented procurement and contract management policies and procedures.

Applicable Standards

We conducted the performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States, as described in **Appendix B** of this report. We believe that the evidence obtained during the audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

Performance Audit Results

We arrived at the following conclusions for each audit objective based on the evidence received during the audit:

Objective 1: VTC's advertising strategies are generally aligned with its overarching goals to promote tourism across the Commonwealth. However, VTC could improve its processes for planning, measuring, tracking, and reporting this information, as reported in ***Observation No. 1:*** *Opportunities to Improve Organization-wide Strategic Planning, Performance Measurement, and Reporting.*

Objective 2: VTC has processes in place to gather sufficient, appropriate information to measure the extent to which grant-funded projects are contributing to the development and enhancement of tourism in the Commonwealth. However, VTC could improve the reliability of the grant and contract data on which it bases its assessments, as reported in ***Observation No. 2:*** *Opportunities to Improve the Reliability of Grant and Contract Data.*

Objective 3: VTC's governing board has documented procurement and contract management policies that are consistent with the requirements of Article 8, Virginia Tourism Authority, of the Code of Virginia and recommendations made by VA OSIG and the Virginia Auditor of Public Accounts (APA). However, VTC should continue to improve its internal controls to increase its, and its vendors' compliance with its internal policies, as reported in ***Observation No. 3:*** *Opportunities to Improve Compliance with Internal Policies*.

Recommendations

We made six recommendations for VTC to improve the processes, systems, and other internal controls it has in place for tracking/reporting strategic planning and performance measurement activities, managing and verifying the accuracy of its contract and grant data, and ensuring that it and its vendors comply with applicable policies and terms and conditions.

Management Comments

Although VTC generally agreed with the report recommendations, it took issue with one or more pieces of information reported in each observation, as seen, in **Appendix A**.

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BACKGROUND

Sikich CPA LLC (Sikich or we) reviewed information that the Virginia Office of the State Inspector General (VA OSIG) and the Virginia Tourism Corporation (VTC) provided, as well as data publicly available on VTC's website,[1] to gain an understanding of VTC, its advertising strategies and performance measures, and its procurement and contract management environment relevant to the audit scope and objectives, as summarized below.

VIRGINIA TOURISM CORPORATION

The Virginia Tourism Authority (VTA), doing business as (d/b/a) VTC, was established by the General Assembly in 1999 (§ 2.2-2315 et seq., Code of Virginia) as "a public body corporate and as a political subdivision of the Commonwealth." VTC was given broad powers to "stimulate the tourism segment of the economy by promoting, advertising, and marketing the Commonwealth's many tourist attractions and by coordinating other private and public efforts to do the same…" Accordingly, VTC's mission is to "expand domestic and international in-bound travel and motion picture production to generate revenue and employment in Virginia."

VTC achieves this mission by implementing a variety of advertising strategies designed to support, maintain, and expand the Commonwealth's domestic and international inbound tourism and motion picture production industries. These strategies include six grant programs to support and expand tourism marketing and product development, including:

- **VA250 Tourism Marketing Program (VA250):** VA250 is a partnership between the VA250 Commission and VTC and is designed to support, promote, and market programming, events, and interpretive signage related to quests for freedom against the backdrop of America's 250th commemoration.

- **VTC Microbusiness Marketing Leverage Program (MMLP):** The purpose of VTC MMLP is to spur economic activity and travel across the Commonwealth to support tourism-oriented small businesses and organizations. This grant is part of an effort to drive "shoulder season" visitation and overnight visitation during the months of September through May.

- **VTC Marketing Leverage Program (MLP):** VTC MLP is designed to create public-private partnerships and leverage matching marketing dollars to promote Virginia as a vibrant destination with robust visitor experiences.

- **VTC Destination Marketing Office (DMO) Marketing Program:** The purpose of the DMO Marketing grant program is to assist Virginia DMOs with marketing their destinations by providing funding to supplement DMO's existing marketing budget.

- **Virginia Special Events & Festivals (SEF) Program:** The purpose of the SEF program is to assist with the marketing and production of established Virginia special events and

[1] See https://vatc.org/.

festivals.

- **VTC DMO Arrivalist Research Program (Arrivalist):**[2] The Arrivalist program is designed to bring multiple research offerings to VTC-recognized DMOs. Arrivalist provides mobile location insights for Destination Marketers that detail visitor origins, behaviors and visitation patterns, and length of stay, among many other insights.

VTC tracks a variety of advertising strategies and performance measures to evaluate how successful its advertising strategies and grant-funded projects are in contributing to the development and enhancement of tourism in the Commonwealth.

VTC Advertising Strategies and Performance Measures

During our audit period, VTC tracked its ongoing performance and operational efficiency in achieving its mission through a variety of performance measures[3] described in a wide range of reports, presentations, internal documents, and research efforts, including:

- **Biennial Strategic Plans:** VTC submitted two biennial strategic plans relevant to our audit scope (for Fiscal Years [FYs] 2022-2024 and FYs 2024-2026) to the Virginia Department of Planning and Budget (DPB), as required by DPB. These strategic plans are available on DPB's website and include 15 required sections containing information such as the agency's mission, vision, and values; key risk factors; and agency goals, objectives, and measures.

- **DPB's Website:** In addition to the strategic plans, DPB's website provides recent historical data on 12 of VTC's performance measures. As of July 2025, the performance measure pages for VTC include a baseline result,[4] a short- and long-term target (2025 and 2027, respectively), and results from FY 2023, FY 2024, and the first quarter of FY 2025.

- **Budget Decision Packages:** DPB publishes formal budget decision packages that include information related to VTC performance measures.

- **Annual Operating Plans:** VTC submitted annual operating plans to the Virginia General Assembly for each of the FYs in our scope. These operating plans reference the strategic plans on DPB's website and list strategic goals and performance measures.

[2] The Arrivalist program was established in 2024; accordingly, our audit only considered data related to this program for 2024.
[3] For the purposes of this report, we use the term "performance measures" to encompass any reporting information referred to as performance measures, metrics, Key Performance Indicators (KPIs), Objectives/Key Results (OKRs), or programmatic results, outputs, or outcomes.
[4] Whenever an agency creates a new performance measure, it must provide DPB with baseline results (i.e., the baseline level of results for that particular measure). Most of VTC's baseline results are from 2022.

- **Quarterly Management Reviews (QMRs):** QMRs are meetings attended by administration members, including the Secretary of Commerce and Trade.[5] VTC provides information about Objectives/Key Results (OKRs) during these meetings.

- **Other Internal Documents:** VTC has created numerous unofficial reports and presentations containing information relevant to its strategic goals and performance measures.[6]
    - VTC has also produced a significant volume of research material to support the data contained in these reports.[7]

VTC Procurement and Contract Management

Although the provisions of the Virginia Public Procurement Act[8] do not apply to VTC, VTC's governing board is responsible for adopting policies for the procurement of goods and services in compliance with Code of Virginia, Title 2.2, Chapter 22, Article 8, § 2.2-2325.

In compliance with this regulation, VTC produced a *Purchasing Policies and Procedures Manual*, which it last updated on November 1, 2024. Although this manual includes all of the elements required for compliance with the Code of Virginia, both VA OSIG and the Commonwealth of Virginia's Auditor of Public Accounts (APA) have recently issued results of engagements that involved reviewing VTC's procurement and contract management activities:

- **December 8, 2022, Letter from the State Inspector General to the Secretary of Commerce and Trade:** VA OSIG conducted an investigation based on a complaint alleging that VTC did not follow state procurement requirements when producing a tourism video and that the cost of the video was a waste of state funds. VA OSIG determined that the allegations against VTC were unsubstantiated.

- **Results of the APA's June 2024 VTC Internal Control Questionnaire Review:** Based on the results of its internal control questionnaire review, the APA noted that VTC should develop or expand its current control environment to ensure that policies and procedures (i) exist for all critical business areas and processes, and (ii) delineate which processes are the responsibility of VTC and which are the responsibility of the Virginia Economic Development Partnership Authority (Partnership).[9] The APA also noted that VTC management should continue to develop a process for reviewing and approving all

[5] For the purposes of this audit, we reviewed the presentation that VTC provided for the June 2025 QMR meeting, as well as the underlying OKR tables as of September 2024 and March 2024.
[6] For the purposes of this audit, we reviewed a selection of these items, including board meeting and stakeholder presentations; strategy briefs; VTC's planning session materials; the 2023, 2024, and 2025-2026 Domestic Marketing Plans; and the 2022-2025 and 2025-2028 Partnership Marketing Initiatives.
[7] For the purposes of this audit, we focused on reviewing those research products that serve as the source for VTC's performance measures, such as the SMARInsights Ad Effectiveness Studies and Tourism Economics' economic impact data.
[8] Code of Virginia, *Virginia Public Procurement Act* (§ 2.2-4300 et seq.).
[9] According to the results of the APA's July 22, 2024, internal control questionnaire review, VTC has established a memorandum of understanding (MOU) with the Virginia Economic Development Partnership Authority (Partnership). Under this MOU, the Partnership performs many administrative functions on behalf of VTC.

policies and procedures either annually or as needed and maintain documentation of the process.

AUDIT OBJECTIVES AND SCOPE

VA OSIG contracted with Sikich, an independent certified public accounting firm, to conduct a performance audit of VTC for the period from July 1, 2022, to the current environment.[10] The objectives of this performance audit were to (i) determine the extent to which VTC's advertising strategies align with its overarching goals of promoting tourism in the Commonwealth, (ii) evaluate the grant allocation process and assess how VTC measures the extent to which grant-funded projects are contributing to the development and enhancement of tourism in the Commonwealth, and (iii) determine the extent to which VTC has implemented documented procurement and contract management policies and procedures.

We have included additional details regarding the audit scope, objectives, and methodology in **Appendix B**.

PERFORMANCE AUDIT RESULTS

With respect to the first objective, we found that VTC's advertising strategies were generally aligned with its overarching goals to promote tourism across the Commonwealth. However, we noted that VTC could improve its processes for planning, measuring, tracking, and reporting this information, as reported in ***Observation No. 1:*** *Opportunities to Improve Organization-wide Strategic Planning, Performance Measurement, and Reporting.*

With respect to the second objective, we found that VTC had processes in place to gather sufficient and appropriate information to measure the extent to which grant-funded projects are contributing to the development and enhancement of tourism in the Commonwealth. However, we noted that VTC could improve the reliability of the grant and contract data on which it bases its assessments, as reported in ***Observation No. 2:*** *Opportunities to Improve the Reliability of Grant and Contract Data.*

With respect to the third objective, we found that VTC's governing board has documented procurement and contract management policies consistent with the requirements of Article 8 of the Code of Virginia and recommendations made by VA OSIG and the APA. However, we noted that VTC should continue to improve its internal controls to increase its—and its vendors'—compliance with its internal policies, as reported in ***Observation No. 3:*** *Opportunities to Improve Compliance with Internal Policies*.

We provide additional information to support our performance audit results in the ***Detailed Observations and Recommendations*** section below.

[10] The scope period was July 1, 2022, through VTC's current environment as of July 16, 2025, which was the last date we accepted documentation from VTC.

DETAILED OBSERVATIONS AND RECOMMENDATIONS

OBSERVATION NO. 1: OPPORTUNITIES TO IMPROVE ORGANIZATION-WIDE STRATEGIC PLANNING, PERFORMANCE MEASUREMENT, AND REPORTING

We found that VTC has opportunities to improve its organization-wide strategic planning, performance measurement, and reporting. VTC has identified its strategic goals, as well as performance measures and targets, and has reported its results in a variety of documents. However, VTC did not maintain a comprehensive, authoritative source for its strategic goals, associated initiatives, performance measures and targets, and results. VTC also did not effectively implement DPB's strategic planning process.

OPPORTUNITIES TO IMPROVE STRATEGIC PLAN MEASUREMENT AND REPORTING

VTC produces an extensive amount of documentation; however, some of these documents contain incomplete, unclear, or conflicting information regarding strategic goals, performance measures, and VTC's strategies/initiatives and how they relate to each other. In particular, the information contained in the required DPB strategic plans and the performance measures on the DPB website did not fully reflect VTC's internally produced strategic planning materials. For example, most of the VTC FY 2024 and 2025 internal documents that we reviewed reference VTC's overarching goal of generating $100 million per day in visitor spending. However, the 2024-2026 strategic plan does not include this very clear goal and does not identify it as a performance measure.

> *VTC's core goal is to lead with data to accelerate the inbound visitor demand by maximizing Virginia's tourism potential and working strategically to drive $100 million a day in visitor spending by 2026.*
>
> - VTC 2024 Domestic Marketing Plan

Similarly, although internal planning documents such as the Domestic Marketing Plans and Partnership Marketing Initiatives align performance measures and targets with certain initiatives and strategies, the required DPB strategic plans do not link performance measures to any of the goals or objectives identified. For example, the 2025-2026 Domestic Marketing Plan provides clear linkage between VTC's overall strategic goals, objectives, and performance measures and their respective targets, as shown in Figure 1.

Figure 1: VTC Strategic Goals, Objectives, and Performance Measures

STRATEGIC GOALS & OBJECTIVES

Overall Tourism Growth Targets

- **Visitor Spending:** Reach $36.5 billion annually (~$100M/day), with 4.1% annual growth.
- **Visitor Demand:** Add 1M new visitors (totaling 44.7M overnight stays) and surpass 2019 records for first-time travelers (140K+).
- **Trip Satisfaction:** Restore pre-pandemic 'very satisfied' ratings to 77%.

Marketing & Industry-Specific Goals

- **Increase Brand Awareness:** Raise household awareness of Virginia as a travel destination to 40%.
- **Drive Incremental Visitors:** Generate 1.1M additional visitors with an average spend of $2,286 per trip.
- **Hotel Bookings:** Set a record with 40,000 attributed hotel bookings.
- **Industry Support:** Assist 7,000 partners, certify 2 new tourism financing projects, and award $3.7M in grants leveraging $11.1M in tourism marketing to support 1,400 partners and small businesses.

MEASURING SUCCESS

	METRIC	TARGET BY 2026
Strategic Industry Targets	Industry Economic Impact	$36.5 Billion
	Total Visitor Count	44.7 Million Overnight Travelers
	First-time Visitors	140,000
	Length of Stay	3.3 Nights
	Trip Satisfaction (Very Satisfied)	77%
Marketing Targets	Attributed Hotel Bookings	40,000+
	Campaign Household Awareness	40%
	Incremental Campaign Visitors	1.1 Million
Partner & Industry Support Targets	Industry Partners Assisted	7,000
	Certified Tourism Development Financing Projects	2
	Grants Awarded	350

Source: VTC 2025-2026 Domestic Marketing Plan.

In contrast, the strategic plans that VTC was required to provide to DPB do not link performance measures to any of the goals or objectives identified. In some cases, such as performance measure 320.0008, *Number of Certified Tourism Development Financing Projects,* and 320.0010, *Increase Target Household Awareness of Flagship Marketing Campaign*, the performance measure itself references a specific strategy, and it is therefore possible to determine the goals and objectives it likely supports. In other instances, however, the linkage is not apparent, and it is unclear what the single metric is measuring. For example, performance measure 320.0009 is as follows:

> *Support Business growth through various VTA initiatives such as Marketing Leverage grants, Entrepreneur Workshops, industry education conferences and Community Planning workshops.*

The performance measure on the DPB website identifies a single-number target of more than 17,000 but does not describe what that number represents, and none of the reported results (i.e., the baseline results, FY 2023 results, or FY 2024 results) exceed 7,000. Further, the internal documents we reviewed provided individual and differentiated performance measures and targets for each of the initiatives listed under this performance measure.

In addition to lacking clarity with regard to what the targets were measuring, the performance measure targets on the DPB website did not always align with the targets presented in other internal documentation; further, the targets were also not always consistent across the other internal documentation. For example:

Awareness (Performance Measure 320.0010): According to the DPB website, both the short-term and long-term targets for this performance measure are 48 percent.[11] However, the domestic marketing plans do not include short-term or long-term targets, but instead cite the following targets for the year(s) covered by the plan:

- 2023: 40 percent
- 2024: 57 percent
- 2025-2026: 40 percent

Hotel Bookings (Performance Measure 320.0011): According to the DPB site, the short-term target for this performance measure is 25,000, while the long-term target is 26,000. However, the November 2024 Strategy One-Pager sets an annual target of 24,000 bookings, while the domestic marketing plans do not include short-term or long-term targets, but instead cite the following targets for direct hotel bookings for the year(s) covered by the plan:

- 2023: No target specified; it simply states "increase"
- 2024: 154,000
- 2025-2026: 40,000

These discrepancies occurred because VTC did not maintain a comprehensive, authoritative source of information regarding its strategic goals, associated initiatives, performance measures and targets, and results. Without a consolidated source for this information, discrepancies can arise within VTC's internal planning documents and the strategic plans submitted to DPB, making it difficult to assess the effectiveness of VTC's initiatives and agency performance over time.

Opportunities to Improve the Strategic Planning Process

In addition to inconsistencies across VTC's internal documents, the strategic plans that VTC submitted to DPB for FYs 2022-2024 and 2024-2026 do not align with DPB's guidance regarding the overall content of strategic plans. For example, neither plan links performance measures to specific goals or objectives or provides any supporting documentation, and the FYs 2024-2026 strategic plan does not provide objectives or strategies for three of the six strategic goals.

Further, VTC did not update most of the sections of the strategic plan between FYs 2022-2024 and FYs 2024-2026; both plans contain identical information in 13 of the 15 sections. Some sections can be reasonably expected to remain static over more than one biennial, such as the agency's Mission, Vision, and Values; however, other sections—particularly Agency Status, Key Risk Factors, and Finance—require updated information. Similarly, the Agency Statistics and Performance Highlights sections should change with each biennium.

VTC did not effectively implement the DPB strategic planning process because VTC has not established internal policies or procedures associated with strategic planning or performance measurement. Without consistently accurate, complete, and current information in each of the

[11] This performance measure reflects the share of households within VTC's flagship marketing campaign target market that recall VTC campaign marketing. It is generated by the SMARInsights Ad Effectiveness Study.

sections of the DPB strategic plan—particularly the Agency Status, Key Risk Factors, and Performance Highlights sections—public officials lack the information needed to make informed judgments about VTC budget requests and proposals.

Recommendations:

We recommend that VTC improve its organization-wide strategic planning, performance measurement, and reporting by:

1. Developing policies, procedures, or other guidance for performing strategic planning and performance measurement activities that:
    a. Identify key strategic planning steps, as well as the parties responsible for these steps.
    b. Include a process for establishing and tracking strategic goals, as well as the associated initiatives, performance measures, targets, and other reported results.

2. Creating a performance measure dashboard that consolidates all identified performance measures, targets, and results for each of VTC's strategic goals and associated initiatives.

3. Updating its FYs 2024-2026 DPB strategic plan to ensure the information is accurate, complete, and current.

VTC Response: VTC generally agreed with Observation 1, noting that it has already begun implementing plans to improve the strategic planning process, centralizing goals and the measurements thereof as it had also identified this as an area for improvement. VTC also acknowledged that more time and attention should have been exerted to maintain the strategic planning process through DPB.

However, VTC noted that it only somewhat agreed with our conclusions that (1) VTC did not effectively implement the DPB strategic planning process because it had not established internal policies or procedures associated with strategic planning or performance measurement and (2) that public officials lack the information needed to make informed judgments about VTC budget requests and proposals.

Auditors' Additional Comments: Although VTC did not fully agree with our conclusions regarding the cause and potential effect of this observation, our position regarding this observation has not changed. Specifically:

1. VTC only somewhat agreed that its lack of strategic planning or performance policies or procedures contributed to its strategic plans not aligning with DPB's guidance. However, because we continue to believe internal controls designed to ensure stronger alignment, cohesion, and reporting in VTC's planning processes could have prevented the inconsistencies identified, we have not updated our cause.

2. VTC disagreed that public officials lack the information needed to make informed judgments about VTC budget requests and proposals because it provides detailed

strategic planning information to stakeholders in Quarterly Management Meetings. While our report does not specifically emphasize the information VTC reports in Quarterly Management Meetings, because the inconsistencies identified occurred throughout various internal and external documents, including the information reported in the Quarterly Management Meetings, and because VTC did not make any changes to key sections of the 2024-2026 DPB Strategic Plan, we continue to believe VTC has opportunities to provide public officials with more accurate, complete, and current information. Accordingly, we have not updated our effect.

OBSERVATION NO. 2: OPPORTUNITIES TO IMPROVE THE RELIABILITY OF GRANT AND CONTRACT DATA

The data in the spreadsheets VTC provided to support the grants and contracts it has awarded since July 1, 2022[12] did not always include consistent, accurate, or reliable data.[13] Specifically, we determined:

1. VTC's grants spreadsheet did not always accurately reflect grant match/award amounts or match costs reported for the reimbursable grants VTC has awarded since July 1, 2022. Specifically, we identified:

    a. Two instances in which the match and award amounts reported were inaccurate as they were not consistent with either the amounts that VTC reported in its marketing revision plan or the funding amounts requested in the grantee's applications.

    b. Four instances in which the match costs reported were not reliable as the match costs were not recorded separately from the direct costs within reimbursement requests.

2. VTC's contracts spreadsheet did not reliably reflect contracts VTC has awarded since July 1, 2022 because the spreadsheet does not segregate or identify contracts based on type of contract or funding source. Specifically, we identified:

    a. Three instances in which contract records were supported by Grant Program Agreements or requests for grant funds.

    b. Two instances in which contract records represented pass-through appropriation payments VTC made via Memorandums of Understanding (MOUs).

    c. Two instances in which contract records did not represent contracts VTC awarded, but rather, contracts VTC received to support grant programs.

These inconsistencies occurred because VTC did not have controls, policies, or procedures in place that were sufficient to ensure the accuracy and consistency of the data manually entered

[12] The Engagement Letter issued to VTC by Sikich on November 8, 2024, included a request for VTC to provide all contracts and grants VTC awarded from July 1, 2022, through the present.
[13] For the purposes of this audit, VTC provided us with two spreadsheets used to track grant and contract data—VTA Grants FY23 to Present and VTA Contracts List—that only included information relevant to our scope period.

into the grant spreadsheet and because VTC does not utilize a grant or contract management system or software that identifies the different types of grants, contracts, and MOUs it receives and awards.

Without access to data that accurately and reliably reflects awarded grants and contracts, VTC may not accurately report grant, contract, or pass-through agreement information requested by relevant stakeholders. Further, it may use unreliable data when assessing the extent to which its grants are contributing to the development and enhancement of tourism in the Commonwealth.

Recommendations:

We recommend that VTC improve the quality and consistency of its grant and contract data by:

4. Implementing new policies/procedures or a new internal grant and contract management system or software that allows VTC to accurately report complete information on a timely basis. The new policies/procedures, system, or software should allow VTC to:
    a. Accurately track, segregate, and report match costs.
    b. Reliably identify and separate grant awards, contract awards, and pass-through awards.
    c. Track contracts VTC has awarded separately from contracts VTC has received.
    d. Input mechanisms that it uses to assess the effectiveness of grant awards.

VTC Response: VTC acknowledged that, given the volume of data reported on the number of grants VTC oversees, improvements could be made and noted that it is exploring the acquisition of a grant management software package to facilitate those processes. Further VTC noted that it will create additional tabs in its contract tracking logs to distinguish legislative pass-throughs, grants (the DRIVE 2.0 grants, Film Office grants, etc.), and contracts it receives to support grant programs.

However, VTC noted that it did not agree with our conclusions that VTC's contracts spreadsheet did not reliably reflect contracts VTC has awarded since July 1, 2022, noting that the report suggests inaccuracy rather than the audit team's fundamental disagreement with how VTC categorizes agreements.

Auditors' Additional Comments: Although VTC did not agree with our conclusions regarding the reliability of the contract data or that contract records were not accurately categorized, our position regarding this observation has not changed. Specifically, because the spreadsheet VTC provided to identify contracts it has awarded since July 1, 2022, contained seven instances where the sampled item did not represent a contract VTC awarded, as detailed in the observation above, we did not update our condition or recommendations.

OBSERVATION NO. 3: OPPORTUNITIES TO IMPROVE COMPLIANCE WITH INTERNAL POLICIES

VTC did not always comply with the policies and processes documented in its *Purchasing Policies and Procedures Manual*, nor did it ensure that its vendors complied with the Grant Terms and Conditions incorporated into the grants we sampled, consistent with the manual's requirements. Specifically, we identified:

1. 28 instances across the 28 contracts sampled in which VTC did not comply with contracting requirements contained in the *Purchasing Policies and Procedures Manual,* including:

    a. 14 instances in which VTC did not approve and/or pay one of the 186 contract invoices tested within the timeframe required.[14]

    b. 13 instances in which VTC did not incorporate its standard general terms and conditions into the contracts it executed with sampled vendors.[15]

    c. One instance in which VTC did not complete a Non-Competitive Award Justification form before awarding a sole-source procurement.[16]

2. 27 instances across the 41 grants sampled in which VTC did not ensure that grantees submitted all of the documentation required to verify grantees complied with VTC's Grant Terms and Conditions, including:

    a. 11 instances in which VTC did not obtain documentation sufficient to support that grantees met the in-kind[17] marketing or cash match requirements applicable to the sampled grants.[18]

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[14] VTC's Purchasing Policies and Procedures Manual, dated July 1, 2019, Section 5.9, *Vendor Invoices and Payments*, requires prompt payment for the completed delivered goods or services by the required payment date, which shall be either (i) the date on which payment is due under the terms of the contract for the provision of such goods or services; or (ii) if such date is not established by contract, not more than 30 days after goods or services are received, within 30 days of the invoice date, or ten working days after receipt of the invoice, whichever is later.

[15] VTC's Purchasing Policies and Procedures Manual, dated July 1, 2019, Section 5.4, *Contracts – General*, states that contracts will include the VTC standard general terms and conditions, as well as any required special terms and conditions.

[16] VTC's Purchasing Policies and Procedures Manual, dated July 1, 2019, Section 4.8, *Non-Competitive Award*, states that authorization of a non-competitive award indicates that no other viable sources are practicably available to supply the required good or service. In such event, personnel must complete and approve a Non-Competitive Award Justification form.

[17] In-kind contributions generally represent the value of non-cash contributions that benefit a project or program. Per VTC's Eligible Expenses for Match and Reimbursement list, VTC grantees can contribute paid, owned, or earned media as in-kind match.

[18] The *In-Kind Match* section of VTC's Grant Terms and Conditions document for the DMO and SEF grant programs requires grantees to provide a minimum 50 percent marketing match, which can be cash and/or in-kind. Further, VTC's Grant Terms and Conditions document for the MMLP grant program requires grantees to provide a minimum 100 percent marketing match, which can be cash and/or in-kind.

b. Seven instances in which the grantee submitted a final report with performance measures or metrics that were not consistent with the performance outcome goal metrics the grantee initially reported in its grant application.[19]

c. Three instances in which the grantee did not submit a complete final report within 60 days of the end of the program.[20]

d. Two instances in which VTC reimbursed grantees for direct expenses without obtaining sufficient documentation to support the allowability of the direct or matched expenses.[21]

e. Two instances in which VTC accepted a grantee application that did not include the minimum match cost commitment or performance measures required by VTC grant requirements.[22]

f. One instance in which VTC had not reimbursed a grantee for the total costs allowed based on the match ratio established for the grant program.[23]

g. One instance in which VTC did not approve the implemented marketing revision plan that a grantee submitted.[24]

The instances of non-compliance associated with contracts occurred because VTC does not have oversight and monitoring controls sufficient to ensure compliance with existing requirements and because VTC's Purchasing Policies and Procedures Manual did not accurately reflect VTC's current practices related to incorporating VTC's standard terms and conditions. The instances of non-compliance associated with grants occurred because VTC did not have sufficient internal controls related to the manual oversight and monitoring of grantee compliance with VTC's Grant Terms and Conditions, particularly regarding the receipt and retention of grantee supporting documentation.

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[19] VTC's Final Report Guidelines for the MLP and MMLP programs requires grantees to provide up to two pages of narrative summarizing the outcomes of the program, including the relevant performance outcomes identified in the grantee's original application.
[20] The *Final Report* section of VTC's Grant Terms and Conditions document for the MMLP and SEF grant programs states that a final report must be submitted to the VTC within 60 days of the end of the program or event.
[21] The *Reimbursement* section of VTC's Grant Terms and Conditions document states that funds will be disbursed on a reimbursement basis for eligible marketing plan items upon receipt of copies of vendor invoices showing the actual costs, proof of payment of invoices, proof of product or ad campaign, and/or screen captures and active web addresses for website-related programs.
[22] The *General Information* section of VTC's Grant Terms and Conditions document for the MMLP program states that, in order for a grantee to receive the award amount requested, the grantee must list an equal or exceeding amount of cash matching expenses in the application. Additionally, VTC's Fall 2023 MMLP Application, *Performance Measures,* requires grantees to select at least two performance outcomes to measure success.
[23] VTC's Grant Terms and Conditions document for the MLP grant program states that grantees must list an equal or exceeding amount of cash or in-kind matching expenses in the application to receive the requested award amount.
[24] The *Funds* section of VTC's Grant Terms and Conditions document for the MLP program states that any changes in the applicant's program that arise after notification of award must be submitted in writing and approved in writing by VTC.

Without updates to VTC's Purchasing Policies and Procedures Manual and to its procurement oversight and monitoring controls, VTC risks (i) not paying vendors timely, (ii) not ensuring vendors are subject to terms and conditions favorable to the Commonwealth, and (iii) not selecting the vendors that provide the best value when procuring services. Without sufficient oversight and monitoring controls to evaluate compliance with VTC's Grant Terms and Conditions, VTC lacks documented assurance that grantees are (i) contributing the in-kind match required to achieve program objectives, (ii) submitting final reports containing the data necessary for VTC to evaluate whether the grant effectively achieved program goals based on the original application's performance metrics, (iii) only obtaining reimbursement for allowable expenses, and (iv) implementing approved revised marketing plans.

Recommendations

We recommend that VTC improve compliance with internal policies by:

5. Implementing additional controls to increase future compliance with VTC's *Purchasing Policies and Procedures Manual* or updating this manual to reflect VTC's current practices. If no changes are made to the manual, these controls should ensure that VTC:
    a. Incorporates its standard general terms and conditions when entering into contracts with vendors.
    b. Approves and pays invoices in compliance within the timeframes required.
    c. Completes Non-Competitive Award Justification forms prior to awarding sole-source procurements.

6. Implementing additional controls sufficient to ensure VTC documents how it verifies grantees are complying with relevant Grant Terms and Conditions. These controls should ensure that VTC documents how it verifies:
    a. Grantees met all in-kind marketing match requirements with allowable in-kind or cash match before reimbursing the grantees for eligible direct expenses.
    b. Delivery of final reports that contain the same performance measures or metrics that the grantees identified in their original applications.
    c. Receipt of sufficient documentation to support the allowability of direct and match expenses invoiced by grantees before approving the invoices for payment.
    d. Grantees meet the application requirements and are eligible grant recipients prior to awarding grants.
    e. All revisions to grantee marketing plans are appropriately approved.

VTC Response: Although VTC acknowledged that some of the sampled invoices were not paid timely, it generally disagreed with the conclusions the audit team reached regarding the other instances of non-compliance. VTC made the following specific disagreements:

1. With respect to the 14 instances in which VTC did not approve and/or pay a contract invoice within the timeframe required, VTC noted that while it differs on the total count

of invoices that should be identified as exceptions, it acknowledges that there were instances where invoices were not paid timely. Further, it emphasized that because the 14 instances were identified through the review of 186 contracts, which it believes is important context, it does not believe this is a rampant problem.

2. With respect to the 13 instances in which VTC did not incorporate its standard general terms and conditions into the sampled contracts, VTC noted that its policy allows for the use of vendor's contracts when necessary. VTC further stated that while it believes its policy is clear and accurate, it would review its policy to ensure the language is abundantly clear.

3. With respect to the 27 instances in which VTC did not ensure that grantees submitted all of the documentation required to verify grantees complied with VTC's grant terms and conditions, VTC noted that it believed problems with the audit team's data portal impeded the audit team from fully reviewing and understanding the information provided.

Auditors' Additional Comments: Although VTC generally disagreed with our conclusions, because we believe the documentation we received from VTC supports our conclusions, our position regarding this observation has not changed. Specifically,

1. With respect to the 14 instances in which VTC did not approve and/or pay a contract invoice within the timeframe required, we confirmed the number of exceptions we reported was appropriate, as supported in the table below.

Contract Sample No.	Invoice Date	Date Paid	No. of Days
Sikich_04	10/12/2022	11/29/2022	48
Sikich_05	2/25/2024	5/16/2024	81
Sikich_11	6/6/2024	7/24/2024	48
	7/8/2024	9/13/2024	67
	9/5/2024	11/7/2024	63
	9/10/2024	11/7/2024	58
	9/10/2024	11/7/2024	58
	10/3/2024	1/13/2025	102
	10/14/2024	1/13/2025	91
	10/15/2024	1/13/2025	90
	10/15/2024	1/13/2025	90
Sikich_16	3/31/2024	9/10/2024	163
Sikich_24	12/31/2023	4/2/2024	93
Sikich_27	3/1/2024	6/11/2024	102

2. With respect to the 13 instances in which VTC did not incorporate its standard general terms and conditions into the sampled contracts, although section *5.4, Contracts – General* of VTC's *Purchasing Policies and Procedures Manual* states that "If a vendor submits their standard form contract or agreement, the Contracts and Procurement Manager will negotiate changes with the vendor" because the subsequent paragraph in

this section also states "The contract will include the VTC standard General Terms and Conditions," we confirmed the exceptions we reported are supported.

3. With respect to the 27 instances in which VTC did not ensure that grantees submitted all documentation required to verify grantees complied with VTC's grant terms and conditions, we confirmed that we received and reviewed copies of all documents VTC uploaded, after they submitted the documents in a readable format. We also confirmed that all 27 exceptions reported were supported as summarized in our table below:

Observation	Grant Sample No.	Observation Noted
3.2.a	Exploratory_01	Insufficient Data to Support Grantee Matched Costs
	Sikich_03	
	Sikich_15	
	Sikich_16	
	Sikich_17	
	Sikich_18	
	Sikich_24	
	Sikich_26	
	Sikich_29	
	Sikich_32	
	Sikich_35	
3.2.b	Sikich_10	Grantee Did Not Meet Reporting Requirements - Performance Measures
	Sikich_14	
	Sikich_15	
	Sikich_17	
	Sikich_19	
	Sikich_20	
	Sikich_27	
3.2.c	Sikich_15	Grantee Did Not Meet Report Submission Requirements
	Sikich_18	
	Sikich_31	
3.2.d	Sikich_20	Insufficient Data to Support Grantee Reimbursed Expenses
	Sikich_28	
3.2.e	Sikich_21	Grant Application Did Not Meet Grant Requirements
	Sikich_23	
3.2.f	Sikich_07	VTC Did Not Meet the Funding and Match Requirements set Forth in the Terms & Conditions
3.2.g	Sikich_14	Marketing Revision Plan Not Appropriately Approved

Sikich CPA LLC

October 2, 2025

APPENDIX A: VIRGINIA TOURISM CORPORATION'S RESPONSE & CORRECTIVE ACTION PLAN

VIRGINIA IS FOR LOVERS

September 16, 2025

Michael C. Westfall, CPA
State Inspector General
P.O. Box 1151
Richmond, VA 23218

Dear Mr. Westfall,

The Virginia Tourism Corporation (VTC) appreciates the opportunity to review and respond to the observations, opportunities for improvement, and the subsequent recommendations set out in SIKICH's performance audit report. While we agree with several of their recommendations, we take issue with others and hope our response can provide further context. Our intention is that our response will assist both OSIG and Sikich in future audits.

VTC is proud of the work we do in executing our mission to promote and develop the tourism industry to stimulate Virginia's economy and enhance the quality of life of all Virginians. We are pleased that the audit confirmed that VTC's advertising strategies align with this important mission, that VTC has processes in place to gather sufficient information to measure the extent to which grant-funded projects are contributing to the development and enhancement of tourism in the Commonwealth, and that VTC has procurement policies in place that are consistent with the requirements of Article 8, Virginia Tourism Authority, of the Code of Virginia, as well as recommendations made by VA OSIG and the Virginia Auditor of Public Accounts (APA). We welcome opportunities to further strengthen our processes, policies, and systems.

Observation #1: Opportunities to Improve Strategic Plan Measurement and Reporting

In general, SIKICH noted that there are inconsistencies across VTC's internal documents and those submitted as part of the DPB strategic planning process. That the strategic plans that VTC submitted to DPB for FYs 2022-2024 and 2024-2026 do not align with DPB's guidance regarding the overall content of strategic plans. We agree that this was a weakness and likewise internally identified this as an area for improvement. VTC has already begun implementing plans to improve the strategic planning process, centralizing goals and the measurements thereof.

SIKICH states that VTC did not effectively implement the DPB strategic planning process because VTC has not established internal policies or procedures associated with strategic planning or performance measurement. We somewhat agree with this assessment and do believe that the actions underway will help to correct this weakness.

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VTC acknowledges that more time and attention should have been exerted to maintain the strategic planning process through the Department of Planning and Budget. SIKICH further states that insufficient planning and reporting created an environment where "public officials lack the information needed to make informed judgments about VTC budget requests and proposals." SIKICH fails to acknowledge in the performance audit report the significant information on the Quarterly Management Meeting processes provided by VTC and the collection and reporting on the agency's OKR's. As you know, this process has in fact provided information and insight to the Governor's Office and the General Assembly in the format desired by the administration. So, while we agree there were significant disconnects between the two processes, to state that VTC was unable to provide "accurate, complete, and current information" is not wholly accurate.

VTC agrees with the improvement opportunities regarding the need for stronger alignment, cohesion, and reporting in our organization-wide strategic planning processes. We recognize the importance of maintaining a comprehensive, authoritative source for strategic goals, initiatives, performance measures, and results.

Prior to the audit, VTC Leadership had also recognized the need for a centralized planning function and had allocated resources internally to implement the changes below beginning in Fiscal Year 2026:

- **Director of Organizational Planning**: We created this new director-level role specifically to design and implement policies for strategic planning and performance measurement, consolidate goals and initiatives into a unified framework aligned with DPB guidance, and ensure timely updates to the strategic plan.
- **Performance Dashboard and Objective Tracking**: This role is tasked with developing a comprehensive dashboard to centralize performance measures, targets, and results, creating a "single source of truth" for agency-wide measurement. Objectives and key results measured through this dashboard will be updated and aligned with strategic planning tools maintained by the DBP.
- **Strategic Planning Processes & Procedures**: The Director of Organizational Planning will be responsible for developing policies and procedures guiding the tracking of agency-wide performance measures. Forthcoming policies and procedures will identify key strategic planning steps and the parties responsible for those steps.

Observation No. 2: Opportunities to Improve the Reliability of Grant and Contract Data

SIKICH states that VTC's grants spreadsheet did not always accurately reflect grant match/award amounts or match costs reported for the reimbursable grants VTC has awarded since July 1, 2022. VTC acknowledges that given the volume of data reported on the number of grants VTC oversees, improvements can be made in record keeping and compliance. As such, VTC continues to explore the acquisition of a grant management software package to facilitate those processes. We purchased a package two years ago, but the vendor was unable to fulfill its commitments to modify the software to accurately meet our programmatic needs.

SIKICH states that "VTC's contracts spreadsheet did not reliably reflect contracts VTC has awarded since July 1, 2022, because the spreadsheet does not segregate or identify contracts based on type of contract or funding source." VTC categorically disagrees with this assertion. VTC maintains a list of every contract, issuing a unique contract number. The report suggests inaccuracy when in fact SIKICH's fundamental disagreement with VTC is in how we categorize some agreements. SIKICH believes we should categorize some of the contracts as grants and VTC disagrees. For example, we classified two legislative pass-throughs as contracts and SIKICH believed these should have been classified as grants. As you know, VTC is merely the fiscal mechanism to provide the funding approved by the Governor and the General Assembly to a specific entity. VTC has no say about who gets funding or how much. VTC will, however, create additional tabs in our tracking log to distinguish the legislative pass-throughs, grants (the DRIVE 2.0 grants, Film Office grants, etc.) and when the funding source is from the contractor to support grant programs.

Observation No. 3: Opportunities to Improve Compliance with Internal Policies

SIKICH identified instances across the contracts sampled in which VTC did not comply with contracting requirements contained in the *Purchasing Policies and Procedures Manual.* Specifically, SIKICH identified 14 instances where invoices were not approved or paid within the appropriate time. While VTC differs on the number of invoices, we accept and acknowledge that there were instances where invoices were not paid timely and we have addressed those instances with the vendor directly and will continue to look for ways to improve our performance. What SIKICH does not do is provide what VTC believes to be relevant context. The 14 invoices SIKICH referenced were from a group of 186 reviewed, 9 of which were invoices from one vendor in which corrective action was addressed with that vendor. Inclusion of that information would clarify that while invoices are an issue that requires our ongoing attention, it is NOT a rampant problem.

Included in this finding is SIKICH's assertion that VTC somehow failed to follow its own policy by not including our standard terms and conditions in EVERY contract. However, our policy allows for

the use of vendor's contracts when necessary, and the review and negotiations of changes to such contracts to ensure that they are following state law, regulations, and policies and procedures. VTC pointed out that language and SIKICH rather than remove the assertion, amended its recommendation to include "or updating this manual to reflect VTC's current practices." While VTC believes the policy to be clear and accurate, we will review it again and ensure that the language is abundantly clear.

SIKICH further states that there 27 instances across the 41 grants sampled in which VTC did not ensure that grantees submitted all the documentation required to verify grantees complied with VTC's grant terms and conditions. Apparently, problems with their own data portal impeded SIKICH from fully reviewing and understanding the information provided. While VTC has and continues to dispute the accuracy of these claims and have repeatedly provided documentation that illuminates our position, we will acknowledge that a grants management system would in fact improve our record keeping, thus ensuring that all requirements are met. VTC is currently exploring new options within our existing financial resources that will enable us to move forward.

Overall, VTC is pleased to see that the performance audit affirms our compliance with regulations and requirements, as well as aligns our goals and strategies with our mission. VTC works hard to continually improve upon processes and policies to better deliver results for the Commonwealth of Virginia, and we look forward to further enhancing our efforts by incorporating many of the recommendations you have made. Again, thank you for this opportunity to respond and we stand ready to address any of your questions should you have any.

Sincerely,

Rita McClenny, President and CEO
Virginia Tourism Corporation

cc. The Honorable John Littel, Chief of Staff to Governor Youngkin
Tiffany Robinson, Deputy Chief of Staff to Governor Youngkin
The Honorable Juan Pablo Segura, Secretary of Commerce and Trade
Luis Lopez Stipes, Deputy Secretary of Commerce and Trade
Michael McMahon, VP of Operations and Finance, VTC

Observation No.	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
1. Opportunities to Improve Organization-Wide Strategic Planning, Performance Measurement, and Reporting	We recommend that VTC improve its organization-wide strategic planning, performance measurement, and reporting by: 1. Developing policies, procedures, or other guidance for performing strategic planning and performance measurement activities that: a. Identify key strategic planning steps, as well as the parties responsible for these steps. b. Include a process for establishing and tracking strategic goals, as well as the associated initiatives, performance measures, targets, and other reported results. 2. Creating a performance measure dashboard that consolidates all identified performance measures, targets, and results for each of VTC's strategic goals and associated initiatives. 3. Updating its FYs 2024-2026 DPB strategic plan to ensure the information is accurate, complete, and current.	1.1: VTC will enhance its strategic planning and performance measurement framework through the development of organizational guidance. 1.2.: VTC will implement consolidated performance tracking mechanisms to support organizational goals and initiatives. 1.3.: VTC will review and update strategic planning documentation to ensure alignment with current organizational priorities.	1.1.: Guidance documentation that outlines strategic planning processes and identifies responsible parties for implementation activities. 1.2.: Centralized performance dashboard 1.3.: Updated FYs 2024–2026 DPB Strategic Plan	1.1.: June 30, 2026 1.2.: June 30, 2026 1.3.: December 31, 2025	1.1.: VP Research & Strategy 1.2.: VP Research & Strategy 1.3.: VP Operations & Finance
2. Opportunities to Improve the Reliability of Grant and Contract Data	We recommend that VTC improve the quality and consistency of its grant and contract data by: 4. Implementing new policies/procedures or a new internal grant and contract management system or software that allows VTC to accurately report complete information on a timely basis. The new policies/procedures, system, or software should allow VTC to: a. Accurately track, segregate, and report match costs. b. Reliably identify and separate grant awards, contract awards, and pass-through awards. c. Track contracts VTC has awarded separately from contracts VTC has received. d. Input mechanisms that it uses to assess the effectiveness of grant awards.	2: Process & Efficiency Review: VTC is exploring software to improve these processes and efficiency. 2.4.a: Process Review: VTC will require documentation of in-kind match starting with the February 2026 grant rounds. 2.4. b. & c. - VTC will create additional tabs within the existing contracts spreadsheet to segregate new contracts by type and funding sources that support grant programs. 2.4.d: Process & Efficiency Review: VTC has implemented a performance measures tracking system and will reach out to partners with incorrect measures on final reports.	2:Grant management software 2.4.a: Updated Ts&Cs and grant reimbursement form. 2.4. b. & c. – VTC Additional tabs in the existing contracts spreadsheet for new contracts. 2.4.d: Performance measure tracking system	2: December 31, 2028 (Procurement, Training, Data Migration, Implementation—36 months) 2.4.a: March 15, 2026 2.4. b. & c. – Ongoing process 2.4.d: December 31, 2026	2: Grants Director 2.4.a: Grants Director 2.4. b. & c. - VP of Operations and Finance 2.4.d: Grants Director
3. Opportunities to Improve Compliance with Internal Policies	5. Implementing additional controls to increase future compliance with VTC's Purchasing Policies and Procedures Manual or updating this manual to reflect VTC's current practices. If no changes are made to the manual, these controls should ensure that VTC: a. Incorporates its standard general terms and conditions when entering into contracts with vendors. b. Approves and pays invoices in compliance within the timeframes required. c. Completes Non-Competitive Award Justification forms prior to awarding sole-source procurements. 6. Implementing additional controls sufficient to ensure VTC documents how it verifies grantees are complying with relevant grant terms and conditions. These controls should ensure that VTC documents how it verifies:	3.5. a. – VTC will update its Purchasing Policies and Procedures Manual to better clarify VTC's current practices regarding when and how its terms and conditions will be incorporated into contracts. 3.6.a: Process review: VTC will require documentation of in-kind match starting	3.5. a. – An Updated Purchasing Policies and Procedures Manual 3.6.a: Updated Ts&Cs and grant reimbursement form	3.5. a. - June 30, 2026	3.5.a. - VP of Operations and Finance

Observation No.	Recommendation	Corrective Action	Deliverable	Estimated Completion Date	Responsible Position
	a. Grantees met all in-kind marketing match requirements with allowable in-kind or cash match before reimbursing the grantees for eligible direct expenses. b. Delivery of final reports that contain the same performance measures or metrics that the grantees identified in their original applications. c. Receipt of sufficient documentation to support the allowability of direct and match expenses invoiced by grantees before approving the invoices for payment. d. Grantees meet the application requirements and are eligible grant recipients prior to awarding grants. e. All revisions to grantee marketing plans are appropriately approved.	with the February 2026 grant rounds. 3.6.b: Process Review: VTC has implemented a performance measures tracking system and will reach out to partners with incorrect measures on final reports. 3.6.c: Process Review: VTC has implemented a system where two employees review invoices for eligibility before reimbursement being sent to Grants Director for approvals. 3.6.d: Process Review: VTC will update application portal and implement a process to review eligibility and prescreen eligibility before scoring and awarding starting with the February 2026 round. 3.6.e: Process review and change to revision approval and archiving.	3.6.b: Final reports will have same metrics reported as in original application. 3.6.c Two employee invoice approval requirement 3.6.d: Applicant portal changes. 3.6.e: Process change. All revisions will be approved by Grants Director or Grants Manager and forwarded to inbox for scanning and archiving.	3.6.a: March 15, 2026 3.6.b: December 31, 2026 3.6.c Immediately 3.6.d: April 30, 2026 3.6.e: Immediately	3.6.a: Grants Director 3.6.b: Grants Director 3.6.c Grants Director 3.6.d: Grants Director 3.6.e: Grants Director

APPENDIX B: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The Virginia Office of the State Inspector General (VA OSIG) retained Sikich CPA LLC (Sikich or we) to complete a performance audit of the Virginia Tourism Corporation (VTC). This performance audit was designed to accomplish the following objectives:

1. Determine the extent to which VTC's advertising strategies align with its overarching goals of promoting tourism in the Commonwealth. **[Objective 1]**

2. Evaluate the grant allocation process and assess how VTC measures the extent to which grant-funded projects are contributing to the development and enhancement of tourism in the Commonwealth. **[Objective 2]**

3. Determine the extent to which VTC has implemented documented procurement and contract management policies and procedures. **[Objective 3]**

SCOPE

The audit scope included the advertising strategies and grant/contract management environment VTC had in place between July 1, 2022, and the current environment.[25] Specifically, we examined data that VTC provided related to the scope period to support (i) all key performance indicators (KPIs) and other advertising/grant effectiveness metrics that VTC tracked, and (ii) grants and contracts that VTC awarded.

METHODOLOGY

Based on the objectives and scope of the audit, we conducted this engagement in three phases: planning, fieldwork, and reporting.

PLANNING

We planned the audit work necessary to address the audit objectives and to reduce audit risk to an acceptably low level. Specifically, we:

- Gained an understanding of the engagement objectives, VTC's advertising strategies (and related KPIs), VTC's grant programs, and the applicable state[26] and VTC[27] criteria.

- Requested, obtained, and reviewed relevant VTC documentation supporting its advertising strategies, grant/contract awards, and KPIs and other metrics that VTC tracks related to its advertising strategies included within the audit scope. This documentation included:
    - Procurement policies and procedures

[25] The scope period was July 1, 2022, through VTC's current environment as of July 16, 2025, which was the last date we accepted documentation from VTC.
[26] We reviewed VTC's compliance with Code of Virginia: Article 8, Virginia Tourism Authority (VTA), Article 2.2 § 2.2-2320.2. *Tourism promotion grants* and Article § 2.2-2325. *Exemptions from personnel and procurement procedures; adoption of procurement policies*.
[27] We assessed VTC's compliance with its 2023 and 2024 operating plans, its procurement policies and procedures, and its grant process and policies.

  - Grant process overview
  - Prior reviews and reports
  - Advertising costs, grants, and contracts populations
  - Marketing and grant KPIs

- Conducted planning interviews to discuss VTC's grant and contract environment.

- Used the information gained during our documentation review and planning interviews to develop an understanding of VTC and its environment, including:

  - VTC's background and mission, as well as the types of grant programs it oversees.

  - The cause and resolution of findings and other instances of noncompliance identified during prior VTC reviews, audits, and other investigations.

In planning and performing this audit, we considered VTC's internal controls that were within the audit's scope solely to understand the policies and procedures VTC has in place to ensure compliance with relevant state requirements and its internal policies and procedures.

We summarized the results of our planning activities, including the major risks identified, within an audit planning memorandum and prepared an audit program that contained steps to ensure we completed all of the planned activities. We submitted the audit planning memorandum to VA OSIG for review and approval.

FIELDWORK

We performed audit fieldwork activities, as outlined in the approved audit planning memorandum, to ensure we obtained sufficient, appropriate evidence that would provide a reasonable basis for our findings and conclusions based on the audit objectives. Specifically, we:

- Met with relevant VTC personnel to discuss the policies, procedures, processes, and internal controls VTC has in place to ensure it is accurately tracking the impact of each of its advertising strategies and grant programs.

- Conducted interviews with VTC personnel and obtained documentation to support the performance metrics VTC developed to track the effectiveness of its advertising strategies, including the data sources used and how frequently VTC updates these metrics.

- Compared VTC's strategic plans and performance measures associated with tourism to (i) internally and externally reported key performance indicators (KPIs) and objectives/key results (OKRs), and internal planning documents, such as the Domestic Marketing Plans and Partnership Marketing Initiatives (to assess how metrics are aligned across VTC).

- Reviewed and summarized grant application submission requirements, grant application assessment rubrics and strategies, post-award requirements, and VTC's KPIs and OKRs specific to each of its six grant programs.

- Selected a sample of grants and evaluated VTC's compliance with its internal grant selection, award, and oversight requirements.

- Evaluated whether VTC's procurement and contract management policies and procedures complied with the procurement-related requirements in Code of Virginia Article 8, Virginia Tourism Authority.

- Selected a sample of contracts and evaluated whether VTC awarded them in accordance with its policies and procedures.

- Assessed the reliability of the data VTC provided.

    - We completed a data reliability assessment and determined that the spreadsheets VTC uses to track grant and contract data are not reliable for all information. We determined that the grant and contract data contained sufficient internally valid information to make it reliable for the purpose of selecting a judgmental sample for further testing. However, upon performing further sample testing, we found that the data elements contained in the grant and contract spreadsheets were not accurate or complete, as detailed in ***Observation 2:*** *Opportunities to Improve the Reliability of Grant and Contract Data*.

- Reviewed the supporting documentation that VTC provided and requested additional documentation as necessary to ensure we obtained sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions.

REPORTING

At the conclusion of our fieldwork, we summarized the results of our testing and provided those results to VA OSIG personnel for review and approval. We also provided our results to VTC personnel to ensure that VTC management was aware of our observations and had the opportunity to submit additional documentation or other information in response to the exceptions identified.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.