



Report to the Ranking Member,  
Committee on Homeland Security,  
House of Representatives

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July 2013

# TRAVEL PROMOTION

Brand USA Needs  
Plans for Measuring  
Performance and  
Updated Policy on  
Private Sector  
Contributions

# GAO Highlights

Highlights of [GAO-13-705](#), a report to the Ranking Member, Committee on Homeland Security, House of Representatives

## Why GAO Did This Study

In 2012, 67 million international travelers visited the United States, spending a total of \$168 billion and supporting 7.7 million U.S. jobs. However, the U.S. market share of global spending by international travelers has fallen over the last decade. In 2010, Congress passed TPA, establishing the Corporation for Travel Promotion—which conducts business as Brand USA—as a nonprofit public-private partnership to promote international travel to the United States. TPA requires that Brand USA’s annual budget consist of private sector cash and in-kind contributions, with federal matching funds. Commerce reviews Brand USA’s requests for federal matching funds and directs Treasury to disburse the funds. For fiscal year 2012, Brand USA received about \$50 million in private-sector funding and \$100 million in federal matching funds.

This report addresses (1) Brand USA’s programs and activities, (2) efforts to measure performance, and (3) certain policies and procedures. GAO reviewed Brand USA documents and data and interviewed officials from Brand USA, Commerce, and private firms as well as academic experts.

## What GAO Recommends

GAO recommends that Brand USA (1) develop a performance plan, (2) competitively select its media consultant for the development of valuation methodologies, and (3) formalize procedures for revising the in-kind contributions policy. Brand USA concurred with the recommendations.

View [GAO-13-705](#). For more information, contact Timothy J. DiNapoli at (202) 512-3665 or [dinapolit@gao.gov](mailto:dinapolit@gao.gov).

July 2013

## TRAVEL PROMOTION

### Brand USA Needs Plans for Measuring Performance and Updated Policy on Private Sector Contributions

## What GAO Found

Brand USA’s global campaign promotes travel to all 50 states through various television, print, billboard, Internet, and social media advertising activities, and its targeted campaigns conduct similar promotions in selected countries. To select countries for targeted campaigns, Brand USA uses several criteria, including volume of visitors and tourism revenue from the country. Brand USA launched targeted campaigns in 2012 in Canada, Japan, and the United Kingdom during each country’s peak travel-planning periods, and it plans to launch targeted campaigns in these and additional countries in 2013. Brand USA contracts with overseas firms to plan and coordinate marketing activities in targeted countries. In addition, partners help Brand USA promote travel to specific U.S. destinations and establish a campaign presence outside targeted countries.

Brand USA has taken some steps to measure its performance but has not yet developed a plan to monitor and evaluate its promotional campaign’s impact regarding two key long-term goals—increasing travel to, and travelers’ spending in, the United States. Brand USA has developed metrics to monitor its Internet and social media activity and contracted with a firm to evaluate the campaign’s effects on traveler perceptions, which found positive results. These metrics and evaluations do not measure the campaign’s impact on international traveler visits or spending. Brand USA officials said that isolating the campaign’s impacts from other factors would be difficult, although the corporation is considering approaches for doing so. Without a plan that identifies the specific timeframes, methods, and data sources for evaluating its progress toward its long-term goals, Brand USA may be missing opportunities to optimize its resources.

Brand USA has established policies for personnel, procurement, and in-kind contributions consistent with applicable Travel Promotion Act (TPA) requirements. Brand USA’s personnel policies address discrimination and equal opportunity, while its procurement policy requires Brand USA to generally follow competitive procedures to acquire goods and services. However, Brand USA did not competitively award a contract to develop valuation methodologies for in-kind contributions. Experts whom GAO interviewed found the methodologies reasonable but noted that other approaches may provide more accurate assessments. Brand USA officials said the corporation may competitively award another contract after the current contract expires in December 2013. Brand USA and the Department of Commerce established the in-kind contributions policy in November 2011 and have revised it three times since then, most recently in March 2013. However, GAO found that Brand USA and Commerce disagree regarding whether certain types of in-kind contributions that are eligible under the policy qualify for federal matching funds. Brand USA returned nearly \$1.1 million in federal matching funds that Commerce had previously approved, but Brand USA noted that it reserved the right to resubmit these types of contributions. GAO’s recent work on organizations that receive both federal and nonfederal resources found that formalizing and documenting a process for resolving disagreements between partners, such as Brand USA and Commerce, can enable productive interactions and facilitate collaboration.

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**Abbreviations**

CEO	Chief Executive Officer
DMO	Destination Marketing Organization
FASB	Financial Accounting Standards Board
OMB	Office of Management and Budget
TPA	Travel Promotion Act
USTTA	U.S. Travel and Tourism Administration
USTTAB	United States Travel and Tourism Advisory Board

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July 25, 2013

The Honorable Bennie G. Thompson  
Ranking Member  
Committee on Homeland Security  
House of Representatives

Dear Mr. Thompson:

International travel and tourism to the United States are important to the U.S. economy. In 2012, 67 million international travelers visited the United States, spent a total of \$168 billion, and supported 7.7 million jobs. However, from 2000 to 2010, the U.S. market share of total global spending by international travelers fell from 17 percent to 11 percent. Concern about this decline led Congress to explore efforts to reinvigorate international travel and tourism to the United States. The Travel Promotion Act of 2009 (TPA) established the Corporation for Travel Promotion, which conducts business as Brand USA, to create and execute a national coordinated travel promotion program.<sup>1</sup> Brand USA's mission is to promote increased international leisure, business, and scholarly travel to the United States to help drive economic growth and job creation. Brand USA is not a federal agency but a nonprofit corporation that operates as a public-private marketing entity. Because TPA requires that both private and public sources fund the corporation, Brand USA receives private funding, through cash and in-kind contributions, as well as federal funds matching the private funding.

You asked that we review several aspects of Brand USA's operations. This report (1) describes Brand USA's programs and activities; (2) evaluates Brand USA's efforts to measure program performance; and (3) examines the extent to which Brand USA established policies and procedures for personnel, procurement, and in-kind contributions consistent with TPA requirements.

To describe Brand USA's programs and activities, we reviewed Brand USA's annual reports, strategic plans, and documentation outlining strategies and efforts to identify overseas markets for promotional

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<sup>1</sup>Pub. L. No. 111-145, § 9 (Mar. 4, 2010).

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campaigns and to promote specific U.S. travel destinations. We also interviewed its staff regarding the promotional activities that Brand USA has planned and undertaken. To evaluate Brand USA's approach to measuring performance, we interviewed Brand USA staff and representatives of the firm contracted to evaluate the effectiveness of Brand USA's promotional campaign in overseas markets. We also reviewed and assessed the reliability of Brand USA's performance data and evaluations of its promotional campaign in targeted overseas markets. We assessed Brand USA's performance measures against GAO's and others' evaluation standards.<sup>2</sup> To examine the extent to which Brand USA established policies and procedures for personnel, procurement, and in-kind contributions consistent with TPA requirements, we reviewed and evaluated documentation outlining Brand USA's personnel, procurement, and in-kind contributions policies and procedures and compared these policies with relevant laws and guidelines, including TPA, GAO standards for internal control in federal agencies,<sup>3</sup> and generally accepted accounting standards. We also interviewed Brand USA staff and officials at the Department of Commerce's (Commerce) International Trade Administration who are responsible for reviewing Brand USA's requests for federal matching funds. In addition, we analyzed and assessed the reliability of the data and analyzed supporting documentation for Brand USA's submissions of in-kind contributions for federal matching funds for fiscal year 2012 and analyzed the policy and procedures that Brand USA uses to value its private sector in-kind contributions. We interviewed representatives of Brand USA's independent auditor and an independent accounting firm that verifies the corporation's in-kind contribution valuations regarding their opinions of Brand USA's policy and procedures, and we examined documentation of their review of its valuation of in-kind contributions. We also interviewed representatives of the firm contracted by Brand USA to develop methodologies for valuing in-kind contributions. Further, we reviewed documentation to determine the development and application of

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<sup>2</sup>GAO, *Designing Evaluations, 2012 Revision*, [GAO-12-208G](#) (Washington, D.C.: Jan. 31, 2012); *Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1, 1996); GAO, *Performance Measurement and Evaluation: Definitions and Relationships*, [GAO-11-646SP](#) (Washington, D.C.: May 2, 2011); and American Evaluation Association, *An Evaluation Roadmap for More Effective Government* (Washington, D.C.: September 2010).

<sup>3</sup>GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 15, 1999).

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these valuation methodologies and we interviewed academic experts in the field of media and marketing to obtain their opinions of these methodologies. We determined the data we obtained to be sufficiently reliable for the purposes of our review. Appendix I provides additional details of our scope and methodology.

We conducted this performance audit from November 2012 to July 2013 in accordance with generally accepted government auditing standards. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### International Travel to the United States

The U.S. travel and tourism industry has gone through a series of declines and recoveries over the past decade. After a steep 3-year decline following the terrorist attacks of September 11, 2001, the number of international visitors to the United States generally increased by about 6 percent annually from 2004 through 2012.<sup>4</sup> However, from 2000 to 2010, the U.S. market share of total global spending by international travelers fell from 17 percent to 11 percent. According to a report by the U.S. Travel Association—an advocacy organization for the U.S. travel industry—failure to maintain global market share in international travel cost the United States an estimated \$606 billion in traveler spending and 467,000 jobs.<sup>5</sup>

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### Federal Travel Promotion Efforts

Federal efforts to promote travel and tourism to international travelers have varied over the years. In 1961, Commerce established the U.S. Travel and Tourism Administration (USTTA) to promote U.S. tourism to international travelers through coordinated advertising campaigns conducted by USTTA's overseas offices. Congressional appropriations

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<sup>4</sup>During this period, international travel to the United States declined only in 2009.

<sup>5</sup>U.S. Travel Association, *Ready for Takeoff: A Plan to Create 1.3 million U.S. Jobs by Welcoming Millions of International Travelers*, (Washington, D.C.: May 12, 2011).

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for travel promotion increased until 1977, when Congress and the administration began reducing the government's role in travel promotion. Continuous federal funding for travel promotion was eliminated in 1996, when Congress abolished USTTA.<sup>6</sup>

Following USTTA's closure, the federal government has undertaken several efforts to promote tourism. For example, the United States National Tourism Organization Act of 1996 established the Interagency Tourism Policy Council. Chaired by the Secretary of Commerce, the council has responsibility for coordinating national policies and programs relating to international travel and tourism among 9 federal agencies through subcommittees that examine various travel-related topics. Additionally, the fiscal year 2003 Consolidated Appropriations Resolution established the United States Travel and Tourism Advisory Board (USTTAB). The USTTAB consists of up to 32 senior travel and tourism executives who advise the Secretary of Commerce on government policies and programs affecting the travel and tourism industry and propose solutions to industry-related current and emerging problems. For example, USTTAB advised Commerce about the development of tourism promotion programs in the United Kingdom and Japan in fiscal years 2004 and 2005 and about the creation of a travel promotion website targeting key countries in fiscal year 2006.

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## Brand USA Governance, Organization, and Funding

TPA defines Brand USA's purpose as being, in part, to execute a national travel promotion program to encourage travel to the United States and to provide equal international exposure for both rural and urban areas of the United States that lack the resources to promote themselves overseas.<sup>7</sup> Conceived as a public-private partnership, Brand USA was incorporated as a nonprofit organization in Washington, D.C. in November 2010.

TPA required that Brand USA be governed by a Board of Directors, comprising 11 members who have knowledge and experience in international travel promotion and marketing. The Secretary of Commerce appoints the board's members in consultation with the Secretaries of

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<sup>6</sup>The Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. No. 104-134) did not include funding for USTTA, which closed in April 1996.

<sup>7</sup>TPA also requires Brand USA to provide useful information to foreign tourists concerning entry requirements to the United States.



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Homeland Security and State. The board's members broadly represent various regions of the United States as well as private and public travel and tourism sectors, including the lodging sector, city and state conventions and visitors' bureaus, small businesses, travel distributors, airlines, and others. The Board of Directors is responsible for appointing the corporation's Chief Executive Officer (CEO) and other staff officers and approving its annual budget and policies, among other duties. Brand USA's management apprises board members of the corporation's general business activities, including personnel and procurement decisions, during monthly meetings that are open to the public. Board members discuss confidential personnel, commercial, and financial matters in closed meetings.

In addition, Brand USA's Board of Directors and its advisory groups help the corporation plan its advertising programs and activities. For example, the board helps Brand USA establish its annual objectives each year and provides input into the selection of overseas markets for campaign activities and approves any expansion of the campaign into these markets. Brand USA's three advisory groups, each comprising representatives from the travel and tourism industry, assist Brand USA and the board in planning its advertising activities.

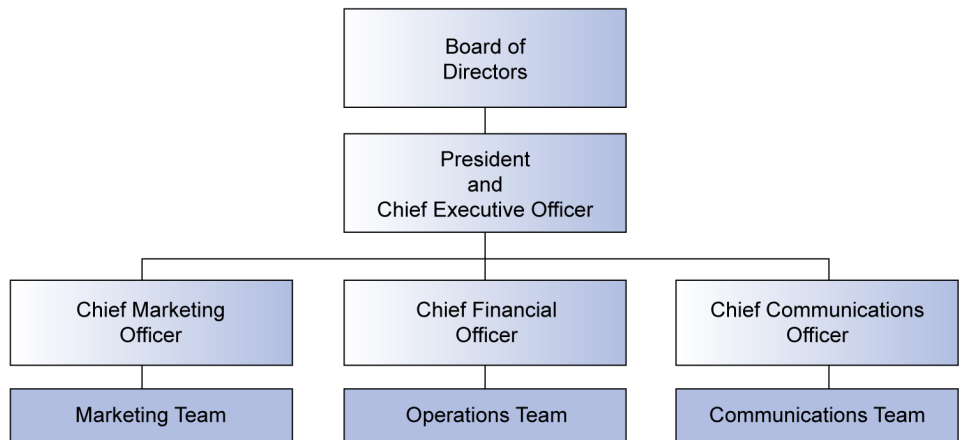
- The **Business Development Advisory Group** offers ideas and suggests approaches for Brand USA's partnership activities.
- The **Global Insights Advisory Group** provides expertise on the development of evaluations and metrics to measure the corporation's performance.
- The **Marketing Advisory Group** assists with the selection of countries where Brand USA will expand its campaign. This group also conducts research to overcome challenges of marketing travel to certain overseas markets—for example, a lack of direct flights, which can help to attract foreign tourists to less-known and rural destinations.

The CEO has organized Brand USA staff into three teams responsible for meeting the corporation's objectives in the areas of global marketing, communications, and business operations. The global marketing team is responsible for overseeing and coordinating the development and implementation of a marketing strategy designed to attract increased international travelers to the United States. The communications team is tasked with maintaining communications with stakeholders, including

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Congress, the private sector, and the general public. The operations team is responsible for general administrative activities, including budget operations. As of June 2013, Brand USA staff consisted of 48 full-time employees in its office in Washington, D.C. Brand USA also relies on contractors and vendors in various other domestic locations and countries to carry out its business operations and complete its mission. Figure 1 provides an overview of Brand USA’s organizational structure.

**Figure 1: Brand USA Organization**



Source: GAO analysis of Brand USA information.

TPA requires that Brand USA finance its efforts through a combination of public funds and private-sector cash and noncash, or “in-kind,” contributions of goods and services, with in-kind contributions comprising no more than 80 percent of total private-sector contributions for any fiscal year. The source of Brand USA’s public funding is a TPA-established U.S. Treasury fund, known as the Travel Promotion Fund, which contains user fees from the Electronic System for Travel Authorization

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administered by the Department of Homeland Security.<sup>8</sup> For fiscal year 2011, the Department of the Treasury (Treasury) made available \$10 million in funding for Brand USA's initial expenses and activities, in accordance with TPA. For fiscal year 2012—the first year in which, according to TPA, Brand USA could obtain federal matching funds—Brand USA received \$100 million in public funding, the maximum amount provided by TPA, matching private-sector funding at a 2-to-1 ratio. For fiscal years 2013 through 2015, Brand USA may receive a maximum of \$100 million annually, matching private-sector funding at a 1-to-1 ratio.

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## Responsibilities of Departments of Commerce and Treasury

TPA assigned Commerce and Treasury responsibilities related to Brand USA's operations. For example, Commerce's responsibilities include, among other things, approving Brand USA's annual objectives. In December 2010, Commerce, Treasury, and Brand USA signed a memorandum of understanding to confirm each entity's roles and responsibilities related to implementing TPA requirements with regard to funding. Commerce is responsible for reviewing Brand USA's requests for federal matching funds and the associated documentation of the corporation's private-sector contributions, including the fair market value<sup>9</sup> of in-kind goods and services. Treasury maintains the Travel Promotion Fund and disburses federal matching funds to Brand USA. After

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<sup>8</sup>The Department of Homeland Security collected approximately \$111 million in these fees in fiscal year 2011 and approximately \$121 million in fiscal year 2012. Currently, the fee is \$14 for each foreign visitor traveling to the United States from countries participating in the U.S. Visa Waiver Program; \$10 of this fee is available to fund Brand USA, while the remaining \$4 is used to cover DHS's costs of administering the system. The Visa Waiver Program allows eligible nationals from 37 member countries to travel to the United States for tourism or business for 90 days or less without a visa. The 37 countries currently participating in the Visa Waiver Program are Andorra, Australia, Austria, Belgium, Brunei, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, the Netherlands, New Zealand, Norway, Portugal, San Marino, Singapore, Slovak Republic, Slovenia, Republic of Korea, Spain, Sweden, Switzerland, Taiwan, and the United Kingdom. The United Kingdom only refers to British citizens who are unrestricted residents of England, Scotland, Wales, Northern Ireland, the Channel Islands, and the Isle of Man. Taiwan, designated consistent with the Taiwan Relations Act of 1979, refers to individuals who are unrestricted residents of Taiwan and have electronic passports bearing a personal identification number.

<sup>9</sup>Brand USA has adopted the Financial Accounting Standards Board definition of fair market value, and defines fair value as the price that property would sell for on the open market, agreed to between a willing buyer and a willing seller, with neither being required to act.

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reviewing and approving Brand USA's requests for matching funds and its valuations of in-kind contributions, Commerce directs Treasury to disburse the requested funds to Brand USA.

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## Prior GAO Findings and Recommendations regarding Brand USA

In March 2012, we reported on the status of Brand USA's establishment and the activities it had planned and undertaken to promote travel and tourism to the United States.<sup>10</sup> We found that Brand USA was in the early stages of planning and was beginning to implement major programmatic activities to promote travel to the United States. We also found that Brand USA was not required to, and had not determined whether it would, adopt federal policies and procedures designed to facilitate program accountability and evaluation. We recommended that, as a good practice, Brand USA consider adopting federal policies and procedures, such as those outlined in Office of Management and Budget (OMB) circulars A-110<sup>11</sup> and A-133.<sup>12</sup> In response to our recommendation, Brand USA stated that it was seeking a legal opinion regarding whether it is subject to federal regulations, including the OMB circulars.

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<sup>10</sup>GAO, *Corporation for Travel Promotion: Establishment and Planned Programmatic Activities*, [GAO-12-485R](#) (Washington, D.C.: Mar. 21, 2012).

<sup>11</sup>OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (11/19/1993, as further amended 9/30/1999), codified at 2 CFR, Part 215. The circular sets forth standards for obtaining consistency and uniformity among federal agencies in the administration of grants to, and agreements with, institutions of higher education, hospitals, and other nonprofit organizations.

<sup>12</sup>OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (includes revisions published in the Federal Register 6/27/2003 and 6/26/2007). This circular is issued pursuant to the Single Audit Act of 1984, Pub. L. No. 98-502 (Oct. 18, 1984), and the Single Audit Act Amendments of 1996, Pub. L. No. 104-156 (Jul. 5, 1996). The circular sets forth standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and nonprofit organizations expending federal funds.

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## Brand USA's Global and Targeted Campaigns Promote International Travel throughout the United States

Brand USA promotes international travel to all 50 states through its global campaign, which relies on media such as Internet, television, and billboard and print advertisements, as well as through targeted campaigns that promote U.S. tourism in selected overseas markets. To help coordinate these efforts, Brand USA contracts with firms that establish international representative offices to plan and coordinate programmatic activities in various countries, including some of the countries its campaign targets. Brand USA's domestic and international partners, such as U.S. travel industry representatives, play a key role in helping the corporation promote travel to specific U.S. destinations and in establishing a presence in countries that the campaign does not target.

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## Brand USA's Global Campaign Promotes Travel to All 50 States

To promote foreign travel to the United States, Brand USA has developed a global promotional campaign that relies on Internet, television, billboard, and print advertisements as well as social media pages,<sup>13</sup> public relations, and trade events. As part of these efforts, Brand USA launched a promotional campaign in April 2012 to increase its online and social media presence to foreign travelers worldwide, including developing a website—[www.discoveramerica.com](http://www.discoveramerica.com)—as an online informational and travel planning tool for foreign tourists and the Discover America Channel on YouTube. The website, which is available in English, French, Japanese, Korean, and Portuguese, provides travel information and trip suggestions for potential travelers.<sup>14</sup> The *Discover America Channel* features videos highlighting a variety of U.S. travel experiences. In spring 2012, Brand USA also developed global pages on Facebook, Twitter, and Pinterest as well as country-specific pages on Facebook and Twitter for Brazil, Canada, Japan, South Korea, and the United Kingdom. In addition, Brand USA has a presence on social media websites in Australia, China, Germany, and Mexico. Brand USA also relies on its presence at trade shows and events and on outreach to tour operators and travel agents. For example, in May 2013, Brand USA organized a promotional “Mega-Familiarization Tour” that showcased different parts of the United States for about 100 travel agents and tour operators from the United Kingdom and Ireland who book trips for travelers from these countries. Further,

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<sup>13</sup>Social media pages include Facebook, Twitter, and Pinterest web pages along with country-specific developed social media pages. Pinterest is a content sharing service that also includes social networking features.

<sup>14</sup>Brand USA also has plans to develop country-specific websites for additional countries, including China.

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Brand USA communicates U.S. entry policies both on its website and through joint informational campaigns with Commerce and the Departments of State and Homeland Security. Brand USA also works with a number of federal agencies, including Commerce and the Departments of State, Interior, and Agriculture, on campaigns to promote federal lands and waterways.

As mandated by TPA, Brand USA has developed advertisements and media content to promote travel to all 50 states and the District of Columbia. For example, content on Brand USA's website provides travel information on all 50 states, the District of Columbia, and five U.S. territories, and Brand USA's social media pages cover different parts of the United States over the course of the year. The website markets specific events and experiences—focused, for example, on the outdoors, food and wine, and family travel—in various parts of the United States to indirectly market urban and rural areas, including those not traditionally visited by international travelers. For example, Brand USA's website promotes "Frontier Days" in Cheyenne, Wyoming, and the "Country Music Highway" in Kentucky. According to Brand USA, it promotes less-known destinations in geographic proximity to those more popular with international travelers. For example, the Mega-Familiarization Tour that Brand USA organized for travel representatives offered seven different itineraries—for instance, "The Beautiful South," featuring New Orleans, Atlanta, and Nashville, and "Meet the Midwest," featuring Chicago, Milwaukee, and Minneapolis.

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### Brand USA's Targeted Campaigns Focus on Specific Overseas Markets

In addition to conducting its global campaign, Brand USA promotes U.S. tourism to travelers in specific countries through targeted campaigns that include strategically planned television, print, billboard, Internet, and social media advertisements, as well as partnership programs and trade shows and events. To select the overseas markets for its targeted campaigns, Brand USA relies primarily on six criteria: (1) annual volume of visitors; (2) total annual tourism revenue; (3) year-over-year growth in travel volume and tourism revenue; (4) cost of buying media in the country; (5) travelers' ease of entry into the United States; and (6) infrastructure, including the availability of representative firms and social

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media in the country.<sup>15</sup> According to Commerce data, the overseas markets that Brand USA has targeted in fiscal year 2013 generated almost 49 million international travelers to the United States in 2011—78 percent of international travel to the country that year.

When launching targeted campaigns in selected markets, Brand USA first establishes a social media and website presence in those markets. During the campaign launches, Brand USA concentrates its media spending so that an array of television, print, billboard, Internet, and social media advertisements are released during each country's peak travel planning periods throughout the year. To support the campaigns, Brand USA's international partners in the targeted market's travel industry, such as hotels, airlines, and tour operators, also help promote travel through a variety of activities, including developing and contributing joint advertisements and planning travel events.

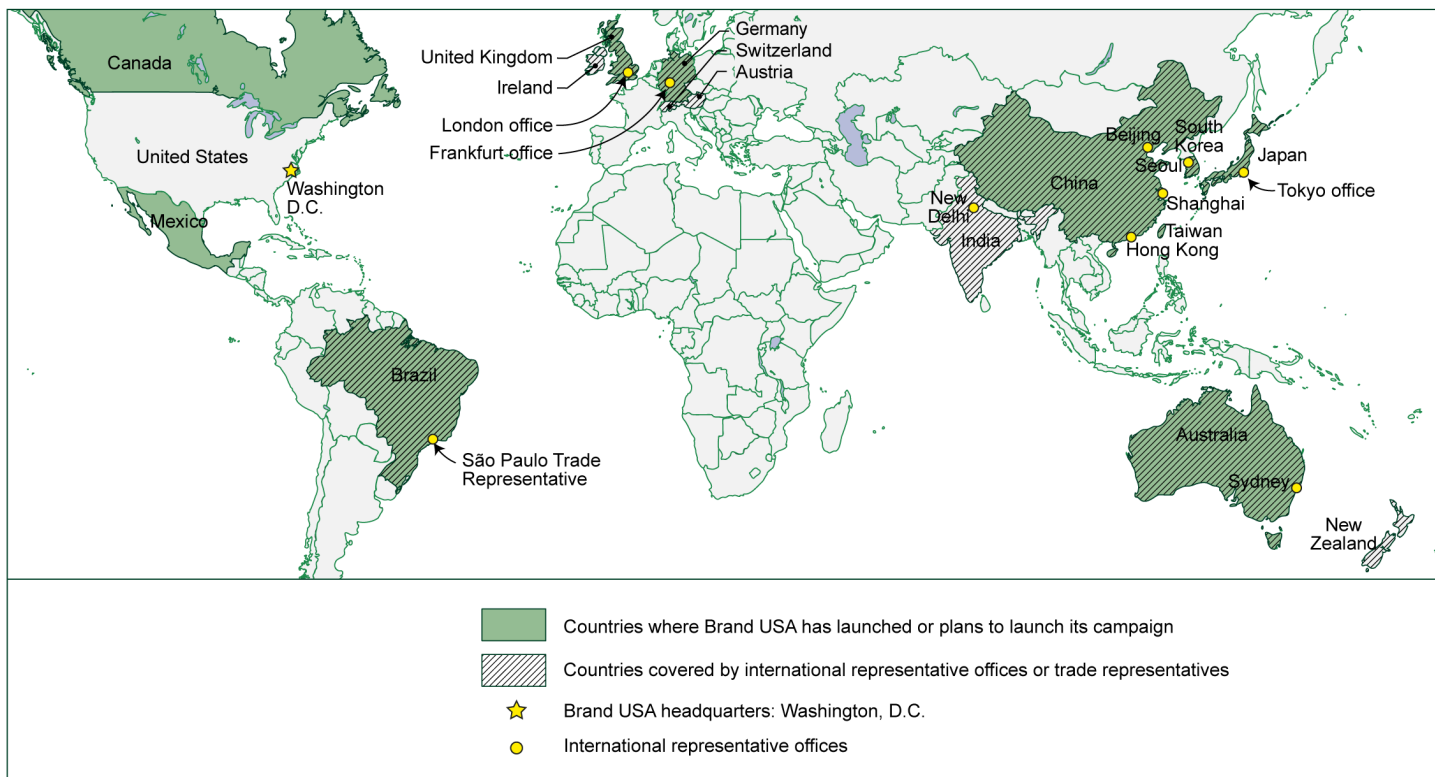
Brand USA launched targeted campaigns in Canada, Japan, and the United Kingdom in 2012 and 2013 and plans launches in Australia, Brazil, China, Germany, Hong Kong, Mexico, South Korea, and Taiwan for 2013. For its fiscal year 2013 targeted campaign launches, Brand USA reports that as of April 30, 2013, it had spent \$2.6 million on advertising in Canada, \$2.0 million in Japan, and \$8.5 million in the United Kingdom. To help coordinate and support its targeted campaigns, Brand USA contracts with firms overseas to establish and operate international representative offices in the countries where it has launched, or plans to launch, its

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<sup>15</sup>According to Brand USA, ease of entry into the United States refers to an assessment of barriers to travel from the country to the United States, such as existing visa requirements, waiting period, and political climate. "Infrastructure" refers to Brand USA infrastructure in the country, including the presence of a representation firm, social media and website in the country and the presence and strength of trade and media support.

campaigns.<sup>16</sup> Figure 2 shows the locations of Brand USA’s current and planned targeted campaigns and its representative offices.

**Figure 2: Locations of Brand USA’s Targeted Campaigns and Representative Offices**



Source: GAO analysis of Brand USA documents; Map Resources (map).

Note: Although the United States does not have diplomatic relations with Taiwan, we have listed it as a separate country in this report because whenever U.S. law refers or relates to foreign countries, nations, states, governments, or similar entities, such terms shall include and shall apply to Taiwan. Hong Kong is a special administrative region of China, but we have included it in this report as a

<sup>16</sup>As of June 2013, Brand USA’s overseas representative offices were located in London, covering the United Kingdom and Ireland; in Frankfurt, covering Germany, Austria, and Switzerland; in Tokyo, covering Japan; in Sydney, covering Australia and New Zealand; in Shanghai and Beijing, covering China; in Hong Kong, covering Hong Kong and Taiwan; in New Delhi, covering India; and in Seoul, covering South Korea. Brand USA plans for additional representative offices to cover Brazil and the rest of South America and for Canada, France, and Mexico in fiscal year 2013. To support the launches planned for Brazil and Canada, Brand USA has a trade representative in São Paulo, Brazil, and a contractor based in Chicago who focuses on establishing partnerships with the travel industry in Canada.



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separate country because it is an economic entity separate from the rest of China and is able to enter into international agreements on its own behalf in commercial and economic matters.

According to Brand USA, it selects international representative firms through a competitive bidding process. Brand USA outlines each office's scope of work, which generally includes, among other things, developing and executing a marketing plan for the country and coordinating and conducting promotional activities, market research, public relations, and some media buying. The marketing plan that each office develops lays out the country-specific strategies and the promotional programs and activities that the office will help coordinate and implement. The offices' defined scopes of work also include responsibilities for developing and maintaining partnerships with key members of the travel industry overseas, including travel agents and airlines, among others. According to Brand USA, developing partnerships is an important role of these offices. For example, an international representative office might identify partners in the country who are interested in donating advertising space for Brand USA's campaign or a trade show booth to showcase Brand USA.

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### Brand USA's Domestic and International Partners Help It Promote Travel to Specific U.S. Destinations and Establish a Presence Outside Targeted Markets

Brand USA's domestic and international partners play an important role in helping the corporation to promote travel to the United States and establish a campaign presence overseas, particularly in countries that Brand USA has not selected for its targeted campaigns. These partners include representatives of the travel industry, such as state and local destination marketing organizations (DMO),<sup>17</sup> hotels, airlines, and travel websites. According to Brand USA, as of May 2013, it had developed partnerships with 280 domestic and international entities in the private travel sector, including DMOs.

Brand USA has developed a number of programs that allow partners to work with the corporation to develop or contribute print, Internet, television, and billboard advertisements to promote travel to the United States. For example, Brand USA's partners, including travel publications and travel industry websites, have donated print, television, or Internet

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<sup>17</sup>DMOs are usually funded primarily by the private travel sector and promote travel to specific states, cities, and local destinations in the United States. For example, Visit California is a state DMO that works to promote travel to California.

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advertising space to Brand USA. Partners may also work with Brand USA through joint media buying, e-mail campaigns, and trade and travel events, among other promotional activities. For example, British Airways donated flights for the Mega-Familiarization Tour that it organized for travel agents and tour operators from the United Kingdom and Ireland. One of Brand USA's partnership programs coordinates media buying and overseas marketing by Brand USA and DMOs and other travel sector partners. Through this program, the partners provide a cash contribution to Brand USA, which it uses for media purchases and other advertising efforts to promote the United States along with a specific U.S. destination or brand. Along with using a partner's cash contribution, Brand USA might provide an additional investment to help promote a specific destination supported by the partner, allowing greater exposure for the destination than if the partner had independently funded its own media purchases. For example, the Louisiana Office of Tourism provided a cash contribution to Brand USA, which, in turn, developed and executed a digital and print advertising campaign to promote both the United States and New Orleans. According to Brand USA, as of May 2013, at least 20 local and state DMOs and 10 brands had made use of this program.

International and domestic partners' donations of advertising space and their market expertise help support Brand USA's marketing and trade activities, according to Brand USA staff. In particular, state and local DMO partners' donations of cooperative advertising—that is, advertising with marketing objectives shared by Brand USA and one or more partners—help support Brand USA's efforts to promote U.S. destinations and extend the overseas presence of the campaign's advertisements. For example, the DMO Coastal South Carolina included Brand USA's logo on its billboard advertisements in London promoting travel to Charleston, South Carolina—a destination that might not be familiar to some British travelers—and Brand USA has worked with Visit California and Air New Zealand to develop advertisements that promote flights and travel to California. As of April 2013, Brand USA had received donated advertising space from at least 55 partners. In addition to supporting Brand USA's campaign via donated advertising space, its DMO partners provide information on promoting aspects of specific less-known U.S. destinations, while its international partners help determine the types of places that will appeal to visitors from specific countries. Brand USA's partners also help determine the countries, other than those targeted for Brand USA's campaigns, where the corporation's advertisements will appear. For example, New York City's DMO donated advertising by including the Brand USA logo on its billboard advertisements in Italy, which Brand USA has not targeted for a campaign.

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## Brand USA Has Taken Steps to Monitor and Evaluate Its Program but Lacks a Plan for Measuring Its Long-Term Impact on Travel to the United States

Brand USA has outlined its performance goals, such as increasing the number of traveler visits and spending, but it has not yet fully developed a plan laying out the specific timeframes, evaluation methodologies, and data sources it will use to monitor and evaluate the campaign's results and long-term effects on travel. Brand USA has developed metrics to monitor its Internet and social media activity, which indicate increasing awareness of Brand USA's efforts. Further, Brand USA's evaluations of its campaign's effect on traveler perceptions found a positive impact. Although these metrics and evaluations allow Brand USA to track online activity and specific campaigns in targeted overseas markets and may serve as interim measures, they do not measure Brand USA's progress in achieving its key long-term goals of increased traveler visits to, and spending in, the United States.

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## Brand USA Has Not Yet Developed a Performance Plan for Measuring Its Campaign's Long-Term Impact on Traveler Visits and Spending

Brand USA has outlined a number of performance goals, such as increasing travel to, and travel-related spending in, the United States; increasing travelers' intent to travel to the United States; and increasing activity on Brand USA's Internet and social media websites.<sup>18</sup> However, Brand USA has not yet developed a plan for measuring performance that clearly identifies the specific timeframes, methodologies, and data sources it will use to monitor and evaluate results and progress toward its long-term mission and campaign goals of increased traveler visits and spending. The GPRA Modernization Act of 2010 requires that federal agencies develop annual performance plans that include performance goals and performance measures that are tied to these goals.<sup>19</sup> Although Brand USA is not subject to these requirements, such a plan can, as a best practice, provide strategies for measuring performance that inform critical program management and budget decisions. Such a plan can also identify methods for periodically and systematically evaluating how well a program is working or how to improve it.<sup>20</sup> Moreover, a well-developed

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<sup>18</sup>Brand USA's fiscal year 2013 marketing plan lists 12 goals. Some of these goals, for example, relate to increased travel to the United States, Internet and social media activity, traveler perceptions in overseas markets, generating cash and in-kind contributions, and expanding Brand USA's presence at trade shows.

<sup>19</sup>Pub. L. No. 111-352 (Jan. 4, 2011). The act updates the Government Performance and Results Act of 1993 (GPRA) (Pub. L. No. 103-62). See also [GAO/GGD-96-118](#).

<sup>20</sup>American Evaluation Association, *An Evaluation Roadmap for More Effective Government*, (Washington, D.C.: Sept. 2010); and [GAO-11-646SP](#).

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performance plan can, among other things, help an organization to develop evaluations for use in monitoring and reporting on program performance relative to pre-established goals and assessing whether existing programs are still needed or effective.<sup>21</sup> Without a performance plan, Brand USA is missing opportunities to collect data that it could use to optimize its media and advertising spending and to demonstrate the long-term effectiveness of its campaign.

Brand USA staff noted that, because of the numerous factors that affect international travel, it would be difficult to isolate the impact of the corporation's activities to demonstrate the extent to which the global campaign has directly led to increased travel to the United States. The corporation, however, has begun to develop a plan to measure its performance. For example, according to Brand USA staff, the recent hiring of a director responsible for, among other things, developing and executing an ongoing metrics and evaluation program could lead to the development of such a plan by 2014. As of July 2013, Brand USA has outlined some metrics and general methodologies, such as tracking visits and spending from travelers from overseas markets, that it plans to use to assess progress towards its goals. Brand USA has also outlined general timelines for some of these metrics, including the dates it plans to begin collecting data and plans to provide monthly, semi-annual, or annual reports on its metrics. However, Brand USA has not identified the specific timeframes, methodologies, and data sources it will use to measure the impact of its campaign on traveler visits and spending.

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## Brand USA's Metrics Measure Online Exposure

Metrics that Brand USA uses to monitor user activity on its global Internet and social media activity websites indicate growth in Brand USA's online exposure. The metrics track online activity, such as views of Brand USA's website, views of its Discover America Channel on YouTube, downloads of its Land of Dreams song, and activity on its social media pages.<sup>22</sup> To compile results for these metrics, Brand USA collects data for the global Internet metrics, and works with a U.S. advertising firm whose overseas

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<sup>21</sup>[GAO-12-208G](#) and American Evaluation Association, *An Evaluation Roadmap for More Effective Government*.

<sup>22</sup>Brand USA collects data on activity on its Facebook, Twitter, and other country-specific social media pages. These data include, among others, numbers of Facebook "fans," "likes," "shares," and "comments" and numbers of Twitter "followers," "tweets," "retweets," and mentions.

staff collect data for the country-specific social media metrics. Brand USA then consolidates these results in one data system for analysis. The metrics show increases in online activity on Brand USA's website, social media pages, and YouTube channel after the Brand USA campaign was launched (see table 1). For example, Brand USA reported that its website had more than 467,000 page views in June 2013, compared with about 77,000 page views in April 2012. Brand USA issues monthly social media reports that include information about its social media activity, including the Facebook and Twitter posts that have attracted the most attention globally and in some of its targeted markets.<sup>23</sup> These reports also provide recommendations on ways that Brand USA can enhance its social media strategy to better promote travel to the United States.

**Table 1: Results of Selected Brand USA Internet and Social Media Metrics**

Description of performance metric	Type of metric	Goal	Results reported by Brand USA
Number of <a href="http://www.discoveramerica.com">www.discoveramerica.com</a> <sup>a</sup> page views	Global internet	Not specified	467,000 in June 2013 vs. 77,201 in April 2012
Number of <i>Discover America Channel</i> views on YouTube <sup>a</sup>	Global internet	Not specified	1,376,000 from April 1, 2012 to July 11, 2013
Number of downloads of Brand USA's <i>Land of Dreams</i> song <sup>a</sup>	Global internet	Not specified	27,000 as of July 2013
Number of Brand USA Facebook fans	Global social media	Increase by 15% annually	2,005,000 as of July 11, 2013 vs. 78,672 as of September 2012
Number of Brand USA Twitter followers	Global social media	Increase by 15% annually	42,000 followers as of July 11, 2013 vs. 8,469 as of September 2012

Source: GAO review of Brand USA documents.

Note: The table shows metrics described in Brand USA's fiscal year 2013 marketing plan that relate to online activity. We included only metrics for which we could assess the data's reliability. Brand USA also reported that 99 percent of sentiments expressed by users on its social media web pages were positive; however, we could not verify the reliability of these data.

<sup>a</sup> Brand USA developed [www.discoveramerica.com](http://www.discoveramerica.com), the *Discover America Channel* on YouTube, and the *Land of Dreams* song as part of its global advertising campaign.

<sup>23</sup>In addition to providing information about Brand USA's global social media activity, these reports provide information about its social media activity for Brazil, Canada, Japan, South Korea, and the United Kingdom.

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## Evaluations Show Brand USA Campaigns' Effect on Traveler Intentions but Do Not Measure Impact on Travel

Brand USA contracted with a market research firm to conduct evaluations of its targeted campaigns' effects on travelers' perceptions in markets where it launched these campaigns in 2012—Canada, Japan, and the United Kingdom. The evaluations used online surveys to track changes in travelers' awareness of the campaign, intent to travel to the United States, and perceptions of the United States, among other factors.<sup>24</sup> According to the market research firm, it developed the survey questions in collaboration with Brand USA and another contracted firm. The market research firm chose the survey respondents from a pool of individuals whom it had recruited to participate in market research panels and who, according to demographic criteria, had a strong likelihood of travelling to the United States.<sup>25</sup> Online links to the surveys were sent in an e-mail to respondents both before and after the campaigns were launched, to identify any shifts in traveler perceptions following the launches.<sup>26</sup> According to Brand USA, the survey results suggested that the campaign had a positive impact on intent to visit the United States and led to positive shifts in perceptions of the United States among respondents. In addition, more than 25 percent of post-launch survey respondents reported that they were aware of Brand USA's campaign in each of the three markets, exceeding the target of 15 percent for each country (see table 2). However, the survey results are not generalizable and the

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<sup>24</sup>The firm contracted by Brand USA to evaluate its promotional campaigns plans to conduct additional evaluations of travelers in the three markets where Brand USA initially launched its campaign in 2012 and in the eight new markets where Brand USA plans to launch its campaign in 2013.

<sup>25</sup>The market research firm selected these respondents to meet its survey definition of "global affluent travelers," on the basis of the following demographic criteria: (1) 25 years or older, (2) top 25 percent of household income within respective country, (3) traveled within the past year and plans to travel within the next 2 years, and (4) willing to travel to the United States. The survey relied on databases of respondents created by the market research firm. In accordance with a standard advertising survey methodology that it employed, the firm selected different respondents for the surveys that it sent before and after the campaign launches.

<sup>26</sup>The surveys sent before the campaign launches were designed to reach about 300 potential travelers from each of the three countries, while the surveys sent after the campaign launches were designed to reach about 400 potential travelers from each country. The pre-campaign-launch surveys had 311 Canadian respondents, 307 Japanese respondents, and 304 United Kingdom respondents. The post-campaign-launch surveys had 403 Canadian respondents, 400 Japanese respondents, and 408 United Kingdom respondents.

analysis did not take into account other factors that might have influenced perceptions of the United States.<sup>27</sup>

**Table 2: Results of Surveys Evaluating Perceptions among Travelers in Canada, Japan, and the United Kingdom before and after Brand USA's Targeted Campaign Launches, 2012**

Description of performance metric	Goal	Results reported by Brand USA
Travelers' awareness of Brand USA campaign	Raise campaign awareness levels to 15%	More than 25% awareness among survey respondents considered to be potential travelers in all three countries.
Travelers' intent to travel to the United States	Increase intent to travel to the United States by 5%	<p>Respondents to the post-launch surveys in Canada reported an intent to travel to the United States that was 22% higher than that reported by respondents to the pre-campaign launch surveys.</p> <p>Respondents to the post-launch surveys in Japan and in the United Kingdom reported an intent to travel to the United States that was 14% higher than that reported by respondents to the pre-campaign launch surveys.</p>
Travelers' perceptions of the United States	Improve awareness and perceptions of the United States by 3 points or more	Respondents to the post-launch surveys reported levels of awareness and perceptions of the United States that were 4%-15% higher than those reported by respondents to the pre-launch surveys.

Source: GAO review of Brand USA documents.

Notes:

The results shown are based on surveys of potential travelers in Canada, Japan, and the United Kingdom in 2012. The surveys were sent to the respondents both before and after Brand USA's campaign launches in those countries. Brand USA has outlined goals for additional countries where it plans to launch its campaign in 2013. According to Brand USA, it will report results for these goals after launching the campaigns.

The table shows metrics described in Brand USA's fiscal year 2013 marketing plan that related to the promotional campaign in targeted markets. We included only metrics for which we could assess the reliability of the data.

Although these evaluations indicate progress in targeted markets against some of Brand USA's stated goals, the evaluations were not designed to provide information on Brand USA's progress in achieving its primary objectives—increased travel to, and travel-related spending in, the United States. The results observed in the evaluations could have occurred in response to external influences, such as economic conditions or currency exchange rates, rather than in response to the Brand USA campaign. Additionally, the evaluation results are specific to the respondents in the

<sup>27</sup> Compared with pre-campaign launch results, traveler intent to visit increased by 14 percent in Japan and the United Kingdom, and 22 percent in Canada following the launch of the campaigns.

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three targeted markets only at one point in time. Furthermore, the evaluations focused on perceptions of intent to travel to the United States and did not include an analysis of data measuring actual travel and travel-related economic activity. Brand USA staff and the market research firm that conducted the surveys noted that developing an evaluation that would measure Brand USA's targeted campaigns' direct impact on traveler visits and spending would be a complex and lengthy endeavor. According to Brand USA staff, the corporation is currently considering methods to better measure its campaigns' impact on travel, but as a newly formed organization, it has not yet had sufficient opportunity to do so.

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**Brand USA  
Established Policies  
Consistent with  
Applicable TPA  
Requirements, but Did  
Not Competitively  
Award a Key Contract  
and Lacks Formal  
Procedures for  
Revising In-kind  
Contributions Policy**

Brand USA has established policies and procedures governing personnel, procurement, and in-kind contributions, which are consistent with applicable TPA requirements. Brand USA's personnel policies and procedures address issues such as equal employment opportunity and nondiscrimination, requesting employee accommodations, and reporting grievances, while its procurement policy generally requires competitive procurements of goods and services, among other elements. However, Brand USA did not competitively solicit bids for the media consulting firm that helped develop valuation methodologies for certain types of in-kind contributions. Brand USA's policy governing in-kind contributions is consistent with TPA requirements, but Brand USA has not established and documented formal procedures with Commerce and Treasury specifying the timeframes and conditions for agreeing to revisions to the policy or for resolving differences between stakeholders. For example, although the in-kind policy allows Brand USA to submit requests for matching funds for in-kind contributions of certain types of media and uncompensated board member travel and staff time expenses, Commerce questioned whether these types of contributions qualified for federal matching funds. In turn, Brand USA returned approximately \$1.1 million in previously provided federal matching funds but reserved the right to resubmit these and similar contributions in the future.



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## Brand USA's Personnel Policy Addresses Key Issues, Including Equal Opportunity and Nondiscrimination Issues

TPA allows Brand USA to hire and set the compensation of its employees as necessary to carry out its purposes and prohibits Brand USA from using political qualifications to hire or take other personnel actions involving its employees.<sup>28</sup> Brand USA's personnel policy, established in the summer of 2012 with the assistance of its law firm and an external consultant, sets its standard for hiring and employment; outlines the laws applicable to its hiring and employment practices; and states its policies and procedures for promoting equal employment opportunity and nondiscrimination, requesting employee accommodations, and reporting grievances. The policy states that the corporation will comply with federal, state, and local laws pertaining to nondiscrimination and anti-harassment, immigration, substance abuse, and disability accommodation.<sup>29</sup> For example, with regard to equal opportunity and nondiscrimination, the policy details characteristics protected by applicable laws, such as age, race, religion, sex, national origin, and disability. The policy also notes that these protected characteristics apply to hiring, promotion, and termination. The policy also details the circumstances that would constitute discrimination and harassment as well as the conditions under which employees may receive disability and religious accommodations. In addition, the policy details procedures for reporting and resolving discriminatory or harassing treatment and for requesting accommodations. We found these policies to be consistent with TPA's requirements.

Brand USA's personnel policy is undergoing further development as part of a review of the corporation's human capital management by a human capital consulting firm, according to Brand USA staff. The review is expected to lead to the development of comprehensive strategies for Brand USA's recruitment and hiring of staff and for its employee appraisal and compensation practices. For example, the firm is expected to recommend processes for conducting pre-employment screenings and

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<sup>28</sup>22 U.S.C. § 2131(b)(3).

<sup>29</sup>According to Brand USA's personnel policy, these nondiscrimination and anti-harassment federal laws include the *Age Discrimination in Employment Act of 1967* (Pub. L. No. 90-202, Dec. 15, 1967) and Title VII of the *Civil Rights Act of 1964* (Pub. L. No. 88-352, Jul. 2, 1964). Pertinent immigration, substance abuse, and disability accommodation federal laws include the *Immigration Reform and Control Act of 1986* (Pub. L. No. 99-603, Nov. 6, 1986), the *Drug Free Workplace Act of 1988* (Pub. L. No. 100-690, Nov. 18, 1988), and Title I and Title V of the *Americans with Disabilities Act of 1990, as amended* (Pub. L. No. 101-336, Jul. 26, 1990), respectively.

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implementing background checks. In addition, the firm is expected to develop policies and procedures for evaluating staff performance and to determine equitable and competitive compensation. In April 2013, the firm signed a master service agreement to begin the review, which Brand USA expects will be completed within 1 year.

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**Brand USA Procurement Policy Generally Requires Competition, but Brand USA Did Not Adhere to Its Policy When Selecting Media Consulting Firm**

TPA authorizes Brand USA to obtain grants and to enter into contracts to carry out its purposes but does not require Brand USA to follow federal procurement laws and does not prescribe specific procurement processes. TPA also requires Brand USA to be accountable for its funds by requiring Brand USA to submit its objectives and budget to Commerce for review and to submit an annual report to Congress on its operations, finances, obligations, and in-kind contributions, among other information.<sup>30</sup> Brand USA established its procurement policy in the summer 2012, which outlines the methods that the corporation may use to purchase goods and vendor services and generally requires competitive bidding. The policy specifies procedures for three methods of procurement—small purchases, competitive procurements, and noncompetitive procurements. For purchases of \$25,000 or less, the policy requires three documented quotes or pricing, and if such documentation of pricing cannot be obtained, Brand USA requires a memorandum documenting the dates when calls were made, the parties contacted, and the prices obtained. For purchases totaling \$25,000 or more, the policy requires competitive procurements and establishes the process for soliciting, evaluating, and awarding contracts. For example, requests for proposals, including a description of the goods or services needed and the factors used to evaluate competing proposals, must be solicited for these purchases. In addition, the policy requires that contracts be awarded to the bidder whose proposal is responsive to the solicitation and most advantageous in terms of price and quality. Brand USA allows noncompetitive procurement for advertising and media that support its programmatic activities. Brand USA also allows noncompetitive procurement under certain circumstances, such as for emergency needs or if the service may be procured from only one source, provided that the justification for the purchase is documented and the corporation's officers approve.

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<sup>30</sup>22 U.S.C. § 2131(b)(5)(B)(ii) and 22 U.S.C. § 2131(c).

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In March 2012, before establishing the policy, Brand USA contracted with external legal counsel to conduct an analysis of applicable legal requirements, including an analysis of the OMB federal guidelines pertaining to the cost principles and restrictions that apply under the corporation's agreements and contracts. According to Brand USA staff, the corporation undertook the legal determination in response to our March 2012 recommendation that, as a good practice, Brand USA should consider adopting federal policies and procedures, such as OMB circulars to the extent possible, for use in carrying out the corporation's programs and activities. The external legal counsel concluded that the OMB circular guidelines do not apply to the corporation.<sup>31</sup>

Brand USA staff stated that although the corporation is not legally required to comply with OMB circular procurement guidelines, its policy generally reflects the principles in OMB circular A-110.<sup>32</sup> For example, in setting criteria for purchases requiring competitive procurement, Brand USA's procurement policy defines a minimum dollar amount that is consistent with the circular. However, Brand USA staff also said that the OMB circular's competitive procurement guidelines do not provide the flexibility that is necessary for purchases related to promotional activities in overseas markets. According to Brand USA staff, the corporation often requires the flexibility to quickly respond to opportunities to promote travel to the United States through its purchases of advertising and media services and of trade show sponsorships in foreign countries, which the length of time needed to conduct competitive bidding may hinder. Brand USA staff noted that although the corporation usually does not undertake a formal competitive procurement process for such purchases, the corporation's staff assess whether any prospective purchase of advertising or media will further the corporation's mission, and they negotiate, to the extent possible, the purchase terms with the media owners.

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<sup>31</sup>According to the independent auditor that prepared the corporation's fiscal year 2012 financial statement, compliance with the OMB circulars would likely not uncover deficiencies in internal control that would not normally be uncovered during the course of the financial audit. Nevertheless, the independent auditor stated that Brand USA's compliance with the OMB circulars would help ensure that the corporation's transactions and business operations are transparent and in line with other nonprofit organizations receiving federal funds.

<sup>32</sup>OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (11/19/1993 as further amended 9/30/1999), codified at 2 C.F.R., Part 215.

Brand USA used competitive procurements for the majority of its purchases from November 2010, when it was established, through May 2013 (see table 3). Competitive procurements comprised 64 percent of the total value of Brand USA's procurements, and noncompetitive procurements comprised 35 percent. According to Brand USA staff, the corporation used noncompetitive procurements for overseas advertising and promotional media and for sponsorships for trade shows.

**Table 3: Number and Value of Brand USA Purchases, by Procurement Method, November 2010–May 2013**

Dollars in millions

Procurement method	Number of procurements	Percentage of total procurements	Value	Percentage of total procurements' value
Small purchases	91	37%	\$1.2	1%
Competitive procurements	41	17	55.4	64
Noncompetitive procurements	116	47	30.2	35
<b>Total</b>	<b>248</b>	<b>100%<sup>a</sup></b>	<b>\$86.8</b>	<b>100%</b>

Source: GAO analysis of Brand USA data.

<sup>a</sup>Percentages do not sum to 100 because of rounding.

However, contrary to its procurement policy, Brand USA did not use a competitive procurement process to select the media consulting firm that assisted the corporation, Commerce, and Treasury in developing methodologies for valuing in-kind contributions. In this case, Commerce had requested that Brand USA identify a qualified media consulting firm to develop valuation methodologies for contributions of cooperative advertising and trade show sponsorships because there was no set standard for the methods used to estimate the fair market value of these contributions, according to Commerce officials. These officials noted that Commerce and Treasury officials lacked the necessary expertise to assist the corporation in determining the fair market value for these types of in-kind contributions. Brand USA, Commerce, and Treasury reviewed multiple methodologies that the media consulting firm proposed before they accepted the valuation methodologies for cooperative advertising and trade show sponsorships, according to Commerce officials and Brand USA staff. Brand USA staff noted that because the corporation expected to receive a significant number of contributions of cooperative advertising and trade show sponsorship, the corporation believed it was important to quickly develop valuation methodologies that Commerce would approve.

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Brand USA finalized its contract with the media consulting firm in January 2013 but did not follow a competitive procurement process to select the firm. Brand USA's 1-year contract with the firm, valued at \$384,000, exceeded the \$25,000 minimum set by its procurement policy, which requires that the corporation either issue a request for proposal to solicit bids from multiple vendors or document the circumstances and approval for a noncompetitive procurement. According to Brand USA staff, the corporation did not follow these processes but instead, in consultation with Commerce and Treasury, selected the firm on the basis of an internal recommendation and a review of the firm's past work with other clients. Brand USA staff stated that they plan to issue a request for proposal, in accordance with the procurement policy, when the contract expires in December 2013.<sup>33</sup>

Brand USA and Commerce revised the in-kind contributions policy to include the valuation methodologies for estimating Brand USA's portion of the fair market value of in-kind contributions of cooperative advertising and for valuing contributions of trade show sponsorships recommended by the consulting firm. The methodology for valuing cooperative advertising assigns value to Brand USA's share of donated advertising space on the basis of the prominence of the corporation's message in the advertisement. For example, the media consulting firm uses estimates of the fair market value of the advertisement provided by the donor in the form of billboards, posters, or other media and the prominence of Brand USA's message in that advertisement. The media consulting firm then weights the total value of the advertisement in set percentages reflecting whether Brand USA's relevance in the advertisement is prominent,

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<sup>33</sup>The contract allows Brand USA and the media consulting firm to discuss a possible extension of the contract based on mutual agreement once the contract expires.

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moderate, or shared.<sup>34</sup> The methodology for valuing trade show sponsorships uses weighted categories to estimate Brand USA's share of the total value of the donor's investment in the trade show event.<sup>35</sup>

Experts in the field of media valuation with whom we spoke stated that the media consulting firm's valuation methodologies are reasonable, but they noted that alternative methodologies developed by other firms could provide a more accurate estimate of the values of Brand USA's in-kind contributions of cooperative advertising and trade show sponsorships. For example, these experts cited examples of methodologies that could more accurately value Brand USA's share of cooperative advertising space by calculating the actual percentage of the space Brand USA occupied and the specific placement of its message in the advertisement, rather than by using—as the current method does—a set percentage of the total value of the cooperative advertising space.

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<sup>34</sup>The in-kind contributions policy includes examples of representative advertisements showing prominent, moderate, and shared placement and the applied weighting. Prominent placement means that Brand USA's message has significant exposure and relevance to the advertisement's message. For prominent placement, Brand USA is assigned a set 65 percent of the total value of the advertisement. Moderate placement means that Brand USA has subtle exposure and the advertisement's message is not specific to any single brand. For moderate placement, Brand USA is assigned a set value of 40 percent of the total value. Shared placement means that Brand USA has minimal exposure in a secondary location within the advertisement. For shared placement, Brand USA is assigned a set value of 25 percent of the total value. If the advertisement includes five or more partners, Brand USA determines the fair market value attributable to the corporation by dividing the total value of the advertising space by the total number of partners.

<sup>35</sup>The scorecard methodology includes four major weighted categories—brand awareness, business building, target audience, and competitive environment—to measure the value to Brand USA of the donor's investment in the trade show. Each of the four major categories is further divided into several subcategories, which are also weighted. The media consulting firm selected the categories and weights on the basis of its understanding of Brand USA's business objectives for trade show participation.

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**Brand USA and Commerce Have Established an In-kind Contributions Policy but Brand USA Has Not Formalized Procedures for Making Future Revisions or Resolving Differences**

Brand USA and Commerce, in collaboration with Treasury, have developed an in-kind contributions policy consistent with TPA requirements that includes guidelines regarding private sector in-kind contributions as well as cash contributions to be submitted for federal matching funds. In coordination with Commerce and Treasury, Brand USA has revised this policy several times since it was drafted in November 2011, to address new types of in-kind contributions eligible for federal matching funds. However, Brand USA has not established formal, documented procedures with Commerce and Treasury specifying the time frames and conditions for making and agreeing to such revisions or for resolving differences with regard to the policy.

**Brand USA and Commerce Have Developed a Policy for Valuing In-kind Contributions for Federal Matching Funds, and Brand USA Has Submitted Contributions for Approval**

Under TPA, Brand USA may meet the matching requirement for federal funding by submitting the fair market value of contributed goods and services.<sup>36</sup> In November 2011, Brand USA, in collaboration with Commerce and Treasury, developed a policy that sets guidelines for determining the types of in-kind contributions that are eligible for federal matching funds and the procedures for determining the contributions' fair market values.<sup>37</sup> The policy states that Brand USA may accept a variety of in-kind contributions, including donations of services, supplies, equipment, office space, and media and advertising. In general, the policy specifies that the donor will provide an invoice or proof of payment, when available, for the good or service as proof of the fair market value. The policy also includes procedures for measuring the fair market value, particularly for contributions that have no supporting invoices, have limited or no pricing information, or represent only a portion of the goods or services' total value. For example, for donations of media, advertisements, trade show participation, and promotional videos and photographs, the policy states that the donor may lack invoices or pricing information for the contribution. For these cases, the policy specifies the

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<sup>36</sup>TPA requires Brand USA to provide matching funds from nonfederal sources for funds that are provided to Brand USA from the Travel Promotion Fund. 22 U.S.C. § 2131(d)(3). These matching funds from nonfederal sources are provided to Brand USA as either cash or in-kind contributions. TPA does not prescribe a method for determining fair market value. Brand USA states that it adheres to fair value measurements under Financial Accounting Standards Board guidelines for the in-kind contributions it submits for federal matching funds.

<sup>37</sup>The in-kind contributions policy also includes guidelines for the submission of cash contributions that are eligible for federal matching funds.

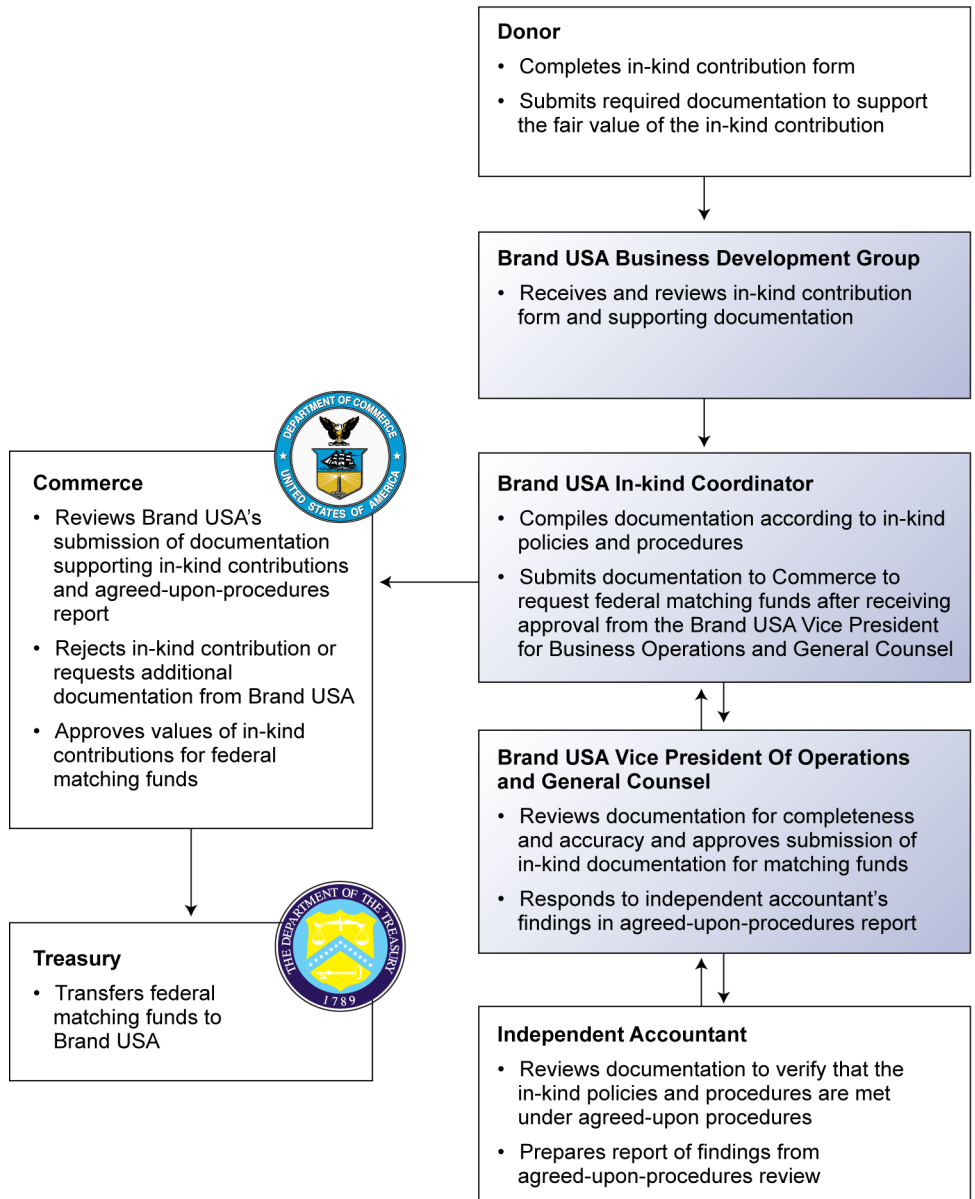
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methods that Brand USA will use to calculate the contribution's fair market value to the corporation.

To receive federal matching funds, Brand USA accounts for the fair market value of contributed goods and services using the procedures outlined in the policy. When the corporation receives an in-kind contribution, it collects supporting documentation from the donor to determine the value in accordance with the policy. For each submission for federal matching funds, an independent accountant reviews the supporting documentation and verifies the corporation's valuations to help ensure that they align with the in-kind contributions policy. The accountant submits a report documenting the procedures performed and the related findings of its review. Brand USA staff resolve any findings detailed in the independent accountant's report and include the report in the request to Commerce for federal matching funds. After reviewing the independent accountant's report and Brand USA's valuations and documentation to ensure compliance with the policy, Commerce directs Treasury to disburse to Brand USA federal matching funds for all eligible in-kind contributions. Figure 3 provides an overview of the process for the acceptance, review, and approval of Brand USA's submission of in-kind contributions for disbursement of federal matching funds.



**Figure 3: Overview of Procedures for Brand USA’s Submission of In-kind Contributions for Federal Matching Funds**



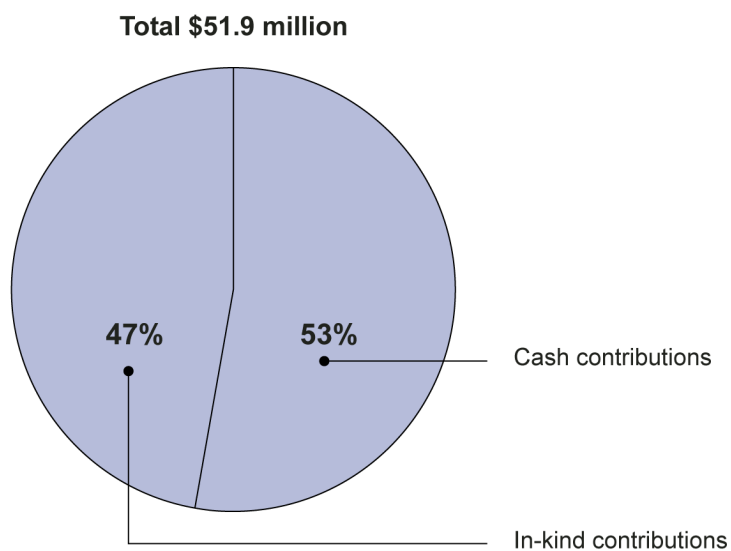
Source: GAO analysis of Brand USA information; Corel Graphics (logos).

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Overall, for fiscal year 2012, Brand USA submitted to Commerce 13 requests for approval of federal matching funds, 11 of which included in-kind contributions. These submissions reflect total private sector donations of \$51.9 million in cash and in-kind contributions (see fig. 4).<sup>38</sup>

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**Figure 4: Private Sector Donations of Cash and In-kind Contributions to Brand USA, Fiscal Year 2012**



Source: GAO analysis of Commerce and Brand USA data.

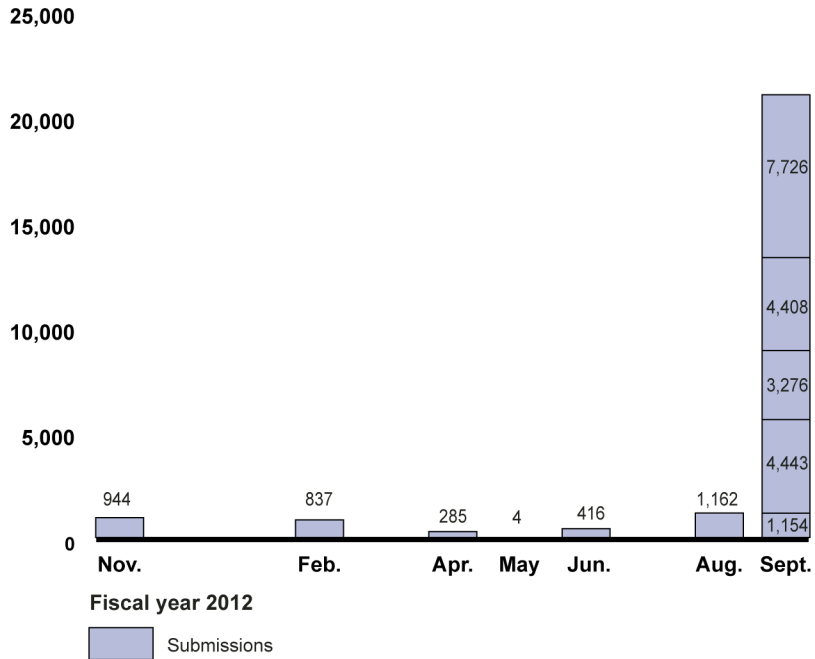
Commerce approved 53 in-kind contributions valued at \$24.7 million from 45 private sector donors. Figure 5 shows Brand USA's approved submissions of in-kind contributions for fiscal year 2012.

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<sup>38</sup>Brand USA exceeded its fiscal year 2012 matching requirement of \$50 million by approximately \$1.9 million, which it will apply toward the \$100 million in available federal matching funds for fiscal year 2013.

**Figure 5: Brand USA's Approved Submissions of In-kind Contributions, Fiscal Year 2012**

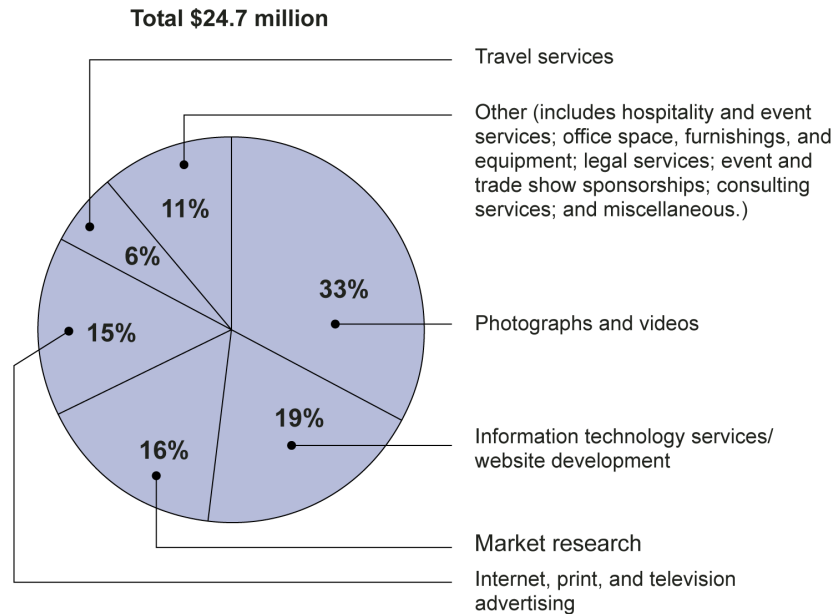
Dollars in thousands



Source: GAO analysis of Commerce and Brand USA data.

Contributions of digital libraries, including photographs and videos; information technology and website development services; market research; and Internet, print, and television advertising represented the largest shares of the total value of in-kind contributions approved by Commerce (see fig. 6). See appendix II for a list of approved in-kind contributions for fiscal year 2012.

**Figure 6: Categories of In-kind Contributions to Brand USA, Fiscal Year 2012**



Source: GAO analysis of Commerce and Brand USA data.

### Brand USA Has Revised the In-kind Contributions Policy Several Times but Has Not Formalized Procedures for Making Revisions or Resolving Differences

Since drafting the in-kind contributions policy in November 2011, Brand USA, in collaboration with Commerce and Treasury, has revised the policy three times—in April 2012, September 2012, and March 2013—as Brand USA submitted new types of in-kind contributions for Commerce’s approval. For example, in April 2012, Brand USA and Commerce agreed to revise the in-kind contributions policy to incorporate the methodology that the media consulting firm had developed in consultation with them and Treasury to estimate Brand USA’s portion of the fair market value of in-kind contributions of cooperative advertising. In September 2012, Brand USA revised the policy further to incorporate the methodology that the media consulting firm had developed for valuing contributions of trade show sponsorships. In March 2013, Brand USA incorporated a new valuation methodology that Commerce developed to measure the value of television, radio, and print media contributions. Commerce and Brand USA, in consultation with Treasury, undertook a comprehensive revision of the in-kind contributions policy and procedures and subsequently approved a new set of guidelines in March 2013.

The policy, which does not provide a comprehensive list of in-kind contributions that are eligible for matching funds, states that it may be

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revised by Commerce when appropriate. However, neither the policy nor Brand USA's memorandum of understanding with Commerce and Treasury include protocols specifying the time frames and conditions for reaching agreement about such revisions or resolving differences of opinion about the policy. According to Commerce, the in-kind contributions policy will likely continue to be revised as the agency continues to work with Brand USA to determine what types of contributions the corporation may submit and how those contributions should be valued to receive matching federal funds. Brand USA staff and Commerce officials stated that the policy is subject to revision because the corporation will likely receive new and unanticipated types of in-kind contributions, such as novel types of social media, owing to the nature of its promotional campaign activities.

In the absence of formal procedures for revising the in-kind contributions policy, Commerce and Brand USA have periodically negotiated revisions of sections of the policy after Commerce reviewed submissions of in-kind contributions that Brand USA believed were consistent with the policy. However, following negotiations with Commerce regarding whether certain types of contributions qualify for federal matching funds, Brand USA returned approximately \$1.1 million in previously approved matching funds for "earned media" and uncompensated board expenses.

- **Earned media contributions.** The November 2011 policy allowed for in-kind contributions of earned media—that is, publicity gained through promotional efforts other than advertising, such as editorials and news articles about Brand USA—not specifically donated to the corporation. However, following discussions with Commerce about whether earned media qualified as in-kind contributions, in July 2012 Brand USA returned approximately \$859,000 in federal matching funds that it had received for this type of contribution.
- **Uncompensated board contributions.** The November 2011 policy allowed members of the Board of Directors to contribute uncompensated expenses for travel for, and time spent in performing, Brand USA management and administrative functions outside normal board responsibilities. However, in October 2012, Brand USA returned approximately \$215,000 in federal matching funds for board members' contributions of uncompensated travel and staff time.

According to Brand USA staff, these contributions of earned media and board member donations were eligible for federal matching funds under the policy, and Commerce initially agreed to match these contributions.

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However, according to a July 2012 memorandum to Commerce, Brand USA noted that the corporation and Commerce had engaged in ongoing discussions regarding potential changes to the earned media section of the in-kind contributions policy. Brand USA further noted that, in an effort to act conservatively with respect to federal matching funds, the return of matching funds would be prudent until the corporation and Commerce reached an understanding about the policy. Moreover, in an October 2012 memorandum to Commerce, Brand USA stated that it was suspending the policy for requesting federal matching funds for uncompensated board contributions and proposed the return of federal matching funds the corporation had received for these contributions. However, Brand USA stated that it reserved the right to revisit the policy with Commerce in the future. The revised in-kind contributions policy, which Commerce approved in March 2013, allows for in-kind contributions of media, including news articles and editorials, if the donor attests that it provided the donated media as a contribution to Brand USA. The revised policy also allows board members' donations of uncompensated travel and time expenses. Brand USA stated that it reserved the right to resubmit the board member donations for federal matching funds after it reaches agreement with Commerce on these sections of the policy.

The lack of formal procedures for addressing and resolving differences regarding the in-kind contributions policy may hinder efforts to ensure clear agreement about the policy. According to standards for internal control in the federal government, control activities, such as policies and procedures, are an integral part of an entity's accountability for stewardship of government resources.<sup>39</sup> Establishing procedures helps ensure that the findings of reviews are promptly resolved, and resolution is completed only after management has taken action that corrects the review's identified deficiencies or disagreements. Our recent work on independent organizations that, like Brand USA, receive both federal and nonfederal resources has noted that formalizing and documenting a process for resolving any disagreements between partners, such as Brand USA and Commerce, can enable productive interactions and facilitate collaboration.<sup>40</sup>

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<sup>39</sup>[GAO/AIMD-00-21.3.1](#).

<sup>40</sup>GAO, *Congressionally Chartered Organizations: Key Principles for Leveraging Nonfederal Resources*, [GAO-13-549](#) (Washington, D.C.: June 7, 2013).

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## Conclusions

Since it was established in 2010, Brand USA has undertaken numerous activities to promote travel to the United States globally and in targeted markets overseas. Further, Brand USA has established long-term goals to increase travel to, and spending in, the United States, and has taken steps to measure some results of its global and targeted promotional campaigns. However, it does not yet have a plan for collecting and using performance data and information to assess whether these campaigns are having a positive impact on achieving its longer-term goals. Given the significance of international tourism to the United States' economy and the role Brand USA is expected to play in increasing the United States' share of the international tourism market, it is vital that the corporation optimize its use of resources to promote travel to the United States.

Brand USA's development of policies detailing procedures that govern personnel, procurement, and valuation of in-kind contributions—a key source of its funding—are important steps to ensure that it complies with TPA's requirements and creates an effective organization. Citing the need to develop methodologies to value certain kinds of in-kind contributions, Brand USA did not competitively procure the services of the media consulting firm that helped it develop the methodologies it uses to value in-kind contributions. Although experts we spoke with found these methodologies reasonable, they noted that other approaches may provide more accurate valuations. Brand USA staff indicated that they intend to solicit bids for a media consulting contract when the current contract expires in December 2013, although according to its terms, the contract could be extended past that time. Further, Brand USA lacks procedures for resolving differences with Commerce regarding the types of in-kind contributions allowed under Brand USA's policy. Consequently, Brand USA returned nearly \$1.1 million in federal matching funds for contributions of certain types of media and uncompensated board travel and staff time expenses after Commerce questioned whether these types of contributions qualified for federal matching funds. The March 2013 revisions to the in-kind contribution policy, which Commerce, Treasury, and Brand USA agreed to, continue to allow for such contributions and Brand USA reserves the right to submit these types of contributions in the future. Establishing and documenting formalized procedures for agreeing to any revisions to the policy and resolving any disagreements about allowable contributions is important to ensure that federal matching funds are disbursed in a timely and efficient manner. Moreover, resolving these issues in a timely fashion is prudent since, to receive the maximum amount of federal matching funds in 2013, Brand USA must raise twice the amount of private-sector contributions that it raised in fiscal year 2012.

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## Recommendations for Executive Action

To strengthen Brand USA's ability to carry out its mission of promoting international travel to the United States, we recommend that the Chief Executive Officer of Brand USA take the following three actions:

1. To provide more objective information on the progress of Brand USA's travel promotion efforts and allow it to assess their effectiveness, especially as it relates to achieving its primary objectives of increasing travel to, and travel-related spending in, the United States, develop a plan that specifies timeframes, methodologies, and data sources for measuring performance and conducting periodic program evaluations.
2. To ensure consideration of multiple firms for the development of methodologies for determining the fair market value of in-kind contributions, use a competitive process, in accordance with Brand USA's procurement policy, to select firms to help it develop and implement valuation methodologies.
3. To improve the in-kind contributions policy and procedures, in coordination with the Secretary of Commerce and Secretary of the Treasury, formalize procedures for revising the policy.

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## Agency Comments and Our Evaluation

We provided a draft of this report to Brand USA for comment. We received written comments from Brand USA which are reprinted in appendix III. Brand USA concurred with our findings and recommendations and commented on its efforts to implement our recommendations. For example, Brand USA noted the importance of measuring the impact of its promotional campaign on increased travel and spending, and stated that it is undertaking efforts to develop plans for measuring performance. In addition, Brand USA noted that it plans to solicit competitive bids to select a media consulting firm to develop methodologies for determining the fair market value of in-kind contributions when the current contract expires.

Commerce received a draft of the report but did not provide formal comments. Both Commerce and Brand USA provided technical comments, which we have incorporated in the report, as appropriate.



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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the CEO of Brand USA, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

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If you or your staff have any questions about this report, please contact me at (202) 512-3665 or [dinapolit@gao.gov](mailto:dinapolit@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Timothy J. DiNapoli". The signature is fluid and cursive, with the first name being the most prominent.

Timothy J. DiNapoli, Director  
International Affairs and Trade

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# Appendix I: Objectives, Scope and Methodology

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We (1) described Brand USA's programs and activities; (2) evaluated Brand USA's efforts to measure program performance; and (3) examined the extent to which Brand USA established policies and procedures for personnel, procurement, and in-kind contributions consistent with Travel Promotion Act (TPA) requirements.

To describe Brand USA's programs and activities, we reviewed relevant documents related to Brand USA's strategic planning and marketing activities, including the corporation's annual reports for fiscal years 2011 and 2012, its marketing and strategic plans for fiscal year 2013, as well as its fiscal year 2013 financial statement prepared by its independent auditor. We also reviewed Brand USA's promotional materials, including advertisements provided by Brand USA to examine its marketing activities and the specific U.S. travel destinations that Brand USA promoted. In addition, we interviewed Brand USA staff about the programmatic activities that Brand USA has planned and undertaken, including information about its global marketing and advertising activities, as well as the role its Board of Directors, advisory groups, and partners play in these efforts. In addition, we discussed with Brand USA staff the criteria and strategies used for the selection of targeted overseas markets and for marketing specific U.S. destinations. We discussed with these staff the roles and responsibilities of Brand USA's contracted international offices and representatives in planning and implementing its promotional campaign in targeted overseas markets and reviewed documentation of the scope of work these offices perform.

To assess Brand USA's approach to measuring program performance, we reviewed documentation of Brand USA's performance data and reports of the evaluations its contracted firm conducted, and we interviewed Brand USA staff and representatives of the firm contracted to evaluate Brand USA's promotional campaign in targeted overseas markets. We analyzed Brand USA's performance objectives and the performance measures it reported in its fiscal year 2013 marketing plan. We interviewed representatives of the contracted firm that conducted survey evaluations of Brand USA's promotional campaigns in Canada, Japan, and the United Kingdom to determine how the performance of these campaigns has been evaluated. In addition, we examined the firm's survey instrument, documentation outlining the evaluation methodology, and reports of the firm's evaluation results. We assessed the reliability of these data and evaluations. For example, we asked Brand USA and the contracted firm how the data were collected, the quality checks performed, and the other internal controls in place. We found the data sufficiently reliable for the purposes of reporting the results of Brand

USA's metrics to monitor its Internet and social media activity over time, as well as the results of the contracted firm's evaluations. We evaluated Brand USA's efforts to measure the performance of its promotional campaign using GAO criteria on good practices for designing evaluations and developing performance plans and measures, as well as criteria from the American Evaluation Association on good practices for planning evaluations.<sup>1</sup> We also interviewed Brand USA staff to determine the extent to which Brand USA has developed plans for collecting and reporting performance measures for its promotional campaign activities, and to obtain information about how performance data are collected and used to manage these activities.

To examine the extent to which Brand USA established policies and procedures for personnel, procurement, and in-kind contributions consistent with applicable TPA requirements, we reviewed and evaluated documentation outlining Brand USA's personnel, procurement, and in-kind contributions policies and procedures against relevant laws and guidelines, including the Travel Promotion Act of 2009, and GAO's *Standards for Internal Control in the Federal Government*.<sup>2</sup> We assessed Brand USA's procurement data by interviewing knowledgeable Brand USA staff and reviewing relevant documentation and found them to be sufficiently reliable for our purposes. We reviewed our prior report on the corporation's programmatic activities.<sup>3</sup> We examined Brand USA's external legal determination of federal guidelines applicable to the corporation. We analyzed data and supporting documentation for each of Brand USA's submissions of in-kind contributions for federal matching funds for fiscal year 2012. We found the data to be sufficiently reliable for the purposes of reporting Brand USA's values and the categories of in-kind contributions approved for federal matching funds. Consequently, we determined that Brand USA's data accurately reflected the values it

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<sup>1</sup>GAO, *Designing Evaluations, 2012 Revision*, [GAO-12-208G](#) (Washington, D.C., Jan. 31, 2012); GAO, *Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1, 1996); GAO, *Performance Measurement and Evaluation: Definitions and Relationships*, [GAO-11-646SP](#) (Washington, D.C.: May 2, 2011); and American Evaluation Association, *An Evaluation Roadmap for More Effective Government*, (Washington, D.C.: September 2010).

<sup>2</sup>GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1, 1999).

<sup>3</sup>GAO, *Corporation for Travel Promotion: Establishment and Planned Programmatic Activities*, [GAO-12-485R](#) (Washington, D.C.: Mar. 21, 2012).

placed on the in-kind contributions. However, it was beyond the scope of this engagement to assess the accuracy of Brand USA's procedures for valuing in-kind contributions, and how its procedures compare to available alternatives. We examined the policy and procedures Brand USA uses to value its private sector in-kind contributions. We evaluated the in-kind contributions policy and procedures using GAO's *Standards for Internal Control in the Federal Government*, including standards for ensuring policies and procedures are in place to promptly resolve the findings of audits and other reviews; as well as Financial Accounting Standards Board (FASB) standards for fair value measurements.<sup>4</sup> We interviewed officials at Commerce's International Trade Administration who are responsible for reviewing Brand USA's requests for federal matching funds, and representatives of Brand USA's independent auditor and an independent accounting firm that verifies the corporation's in-kind contribution valuations and reviewed documentation of their reviews of the policy and procedures and the valuation of in-kind contributions, to obtain their opinions about the policy and procedures. We additionally interviewed representatives of the firm contracted by Brand USA to develop methodologies for valuing in-kind contributions. We also reviewed documentation to determine the development and application of these valuation methodologies. We interviewed three academic experts in the field of media and marketing at the University of California, Davis; University of California, Los Angeles; and Loyola Marymount University to obtain their opinions of these methodologies. We selected these academic experts based on their expert qualifications in the field of marketing and media valuations as demonstrated by the number of research publications and membership on marketing research boards, as well as recommendations of other academic experts.

We conducted this performance audit from November 2012 to July 2013 in accordance with generally accepted government auditing standards. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>4</sup>FASB, *Financial Accounting Series: Statement of Financial Accounting Standards No. 157, Fair Value Measurements*, (Norwalk, CT: September 2006).

# Appendix II: Brand USA In-kind Contributions Approved for Federal Matching Funds, Fiscal Year 2012

Donor	In-kind contribution	Value
Amtrak	Information technology services	\$6,800
Amtrak	Hospitality services	\$6,181
Amtrak	Travel services	\$664
Amtrak	Travel services	\$5,532
B*For	Trade show sponsorship	\$41,437
Baxter Travel Media	Print advertising	\$15,465
Black Diamond Films	Event planning and services	\$215,106
British Airways	Travel services	\$1,396,509
Canusa	Internet and print advertising	\$218,000
Capital Region	Market research	\$71,042
Cavallo Point Lodge	Travel services	\$2,368
CISg	Information technology services	\$152,701
Dertour	Print advertising	\$22,248
Destination Marketing International	Market research	\$22,500
ESI Media	Print advertising	\$794,616
Expedia	Internet advertising	\$1,500,000
Farragut Center	Office furnishings and equipment	\$285,018
FTI/Sonnenklar.tv	Television and Internet advertising	\$650,277
Georgia Department of Economic Development	Market research	\$119,600
Go West	Trade show sponsorship and travel services	\$10,039
Harrods and Coastal South Carolina	Print advertising	\$25,600
High Lantern Group LLC	Consulting services	\$280,000
Horizon Travel Magazine	Print and television advertising	\$19,990
Katten, Muchin, Rosenman, LLP	Legal services	\$94,703
Katten, Muchin, Rosenman, LLP	Legal services	\$36,692
Knecht Reisen AG	Internet and print advertising	\$50,318
Major League Baseball-the World Baseball Classic	Tournament sponsorship	\$1,000,000
Marriott International	Market research	\$2,503,401
Meier's Weltreisen	Print advertising	\$102,485
Meltwater Group	Consulting services	\$18,000
Michigan Lodging and Tourism Association	Travel services	\$1,171
Miles Media	Digital library (photographs and video)	\$4,187,938
National Parks Promotion Council	Video production	\$774,520
National Parks Promotion Council	Internet advertising	\$10,000
National Tour Association and National Parks Promotion Council	Trade show sponsorship	\$61,700
Patton Boggs, LLP	Legal services	\$28,283

**Appendix II: Brand USA In-kind Contributions  
Approved for Federal Matching Funds, Fiscal  
Year 2012**

<b>Donor</b>	<b>In-kind contribution</b>	<b>Value</b>
Screen Actors Guild—American Federation of Television and Radio Artists and Talent Partners	Talent services for advertisements	\$660,363
Source Communications	Print advertising	\$7,630
Texas Research	Market research	\$68,000
Tourism Economics	Market research	\$3,500
Travel Market Insights	Market research	\$195,000
Travelocity Canada	Internet advertising	\$270,000
Trip Advisor	Internet advertising	\$30,000
U.S. Travel Association	Office space and equipment	\$11,435
U.S. Travel Association	Website development	\$4,407,580
Visit California	Market research	\$405,476
Visit California	Market research	\$415,500
Visit California	Digital library (photographs and video)	\$3,267,264
Visit California	Print advertising	\$9,000
Visit California	Travel services	\$1,868
Visit Orlando	Market research	\$166,250
Visit Savannah	Promotional photographs	\$500
Visit St. Petersburg/Clearwater	Internet advertising	\$3,713
<b>Total</b>		<b>\$24,653,983</b>

Source: GAO analysis of Commerce and Brand USA data.

# Appendix III: Comments from Brand USA



July 18, 2013

Timothy DiNapoli  
Acting Director  
International Trade and Affairs  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. DiNapoli:

We appreciate the opportunity to review the GAO performance audit of Brand USA and are pleased with the favorable analysis. As the report notes, Brand USA's consumer campaign is already proving effective and has led to major increases in intent to visit the United States. The campaign is supported by our work with international travel trade and global distribution channels to convert intent to travel into purchase of travel.

We agree with the GAO on the importance of plans to measure impact on increased travel and spending. Since we have just over a year of advertising under our belt, we are in the benchmarking phase of that measurement process. Yet even at this early stage, we have outlined a metrics plan that will allow us to optimize our messaging and ultimately determine an attributable level of impact.

The report discusses how Brand USA and the Department of Commerce determine the fair market value of in-kind contributions, including contributed advertising space and trade show sponsorships. These methodologies were developed jointly with the Departments of Commerce and Treasury and took into account several alternative approaches. The media consulting firm was selected as a result of a vetting process by the same parties listed above. That said, we will put this media consulting function out to bid when the current contract expires at the end of the calendar year.

Brand USA is a unique public-private entity and we commend the GAO for its thorough review and analysis of our activities. We look forward to keeping the GAO and other interested parties apprised of our progress.

Sincerely,

Christopher L. Thompson  
President and CEO  
Brand USA

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

Timothy J. DiNapoli, (202) 512-3665 or [dinapolit@gao.gov](mailto:dinapolit@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Juan Gobel, Assistant Director; Martin De Alteriis, Assistant Director; Jack Warner, Assistant Director; Ashley Alley; Fred Evans; Teresa Heger; Bradley Hunt, and Reid Lowe made key contributions to this report. Additional assistance was provided by Ernie Jackson and Etana Finkler.



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