

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

**H. Carl McCall
STATE COMPTROLLER**



STATE AGENCY AND AUTHORITY ADVERTISING PRACTICES

2001-S-37

**DIVISION OF MANAGEMENT AUDIT AND
STATE FINANCIAL SERVICES**

OSC Management Audit reports can be accessed via the OSC Web Page:

<http://www.osc.state.ny.us>

If you wish your name to be deleted from our mailing list or if your address has
changed,

contact the Management Audit Group at (518) 474-3271

or at the

Office of the State Comptroller

Alfred E. Smith State Office Building

13th Floor

Albany, NY 12236



H. Carl McCall
STATE COMPTROLLER

Report 2001-S-37

Ms. Patricia Pine, Director
NYS Office for the Aging
2 Empire State Plaza
Albany, NY 12223

Mr. Charles A. Gargano, Commissioner
NYS Department of Economic Development
30 South Pearl Street
Albany, NY 12245

Mr. Vincent A. Delorio, Esq., Chairman
NYS Energy Research & Development
Authority
Corporate Plaza West
286 Washington Avenue Extension
Albany, NY 12203-6399

Ms. Erin M. Crotty, Commissioner
NYS Department of Environmental
Conservation
625 Broadway
Albany, NY 12233-1011

Antonia C. Novello, M.D., M.P.H., Dr. P.H.
Commissioner
NYS Department of Health
Corning Tower, Empire State Plaza
Albany, NY 12237

Mr. Richard Kessel, Chairman
Long Island Power Authority
333 Earle Ovington Blvd.
Uniondale, NY 11553

Mr. Peter Kalikow, Chairman
Metropolitan Transportation Authority
347 Madison Avenue
New York, NY 10017

Mr. Joseph J. Seymour, Chairman
New York Power Authority
123 Main Street
White Plains, NY 10601-3170

Mr. Joseph Strasburg, Chairman
State of New York Mortgage Agency
641 Lexington Avenue
New York, NY 10022

Dear Director, Commissioners and Chairpersons:

The following is our report on State agency and authority advertising practices in New York State.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 and Article X, Section 5 of the State Constitution; Article II, Section 8 of the State Finance Law; and Title 2, Section 531 of the Public Authorities Law. We list major contributors to this report in Appendix A.

*Office of the State Comptroller
Division of Management Audit
and State Financial Services*

January 14, 2002

Division of Management Audit and State Financial Services

A.E. SMITH STATE OFFICE BUILDING ♦ ALBANY, NEW YORK 12236
123 WILLIAM STREET ♦ NEW YORK, NEW YORK 10038

EXECUTIVE SUMMARY

STATE AGENCY AND AUTHORITY ADVERTISING PRACTICES

SCOPE OF AUDIT

State accounting records indicate that agencies spend about \$115 million annually on advertising, while expenditure summaries filed by public authorities point to at least another \$25 million in ad costs. New York State has no laws or regulations to establish guidelines for the types of advertising State agencies and public authorities should conduct, to promote accountability for advertising expenditures or to ensure the propriety of taxpayer-funded advertising programs by restricting references to and appearances of public officials. Instead, each entity determines how and when its advertising should be conducted. We audited advertising expenditures for the period April 1, 2000 through June 30, 2001 at four State agencies and five public authorities. Our audit addressed the following questions:

- How much did these entities spend on advertising and how much of the advertising included public officials?
- How did the entities fund the purchase of this advertising?
- Did the entities use formal marketing plans to define desired results or benefits of the advertising, and determine the extent to which these results or benefits were achieved?
- Did the entities acquire their advertising services economically and efficiently and in compliance with appropriate laws and regulations?

AUDIT OBSERVATIONS AND CONCLUSIONS

We estimated that two-thirds of the \$55.7 million the nine agencies we audited spent on advertising was used to fund ads that either featured or referenced public officials – primarily the Governor. We found that public funds paid for the majority of this advertising, which entities obtained in overall compliance with relevant purchasing procedures. However, only one of these entities developed specific marketing plans for its advertising efforts, including steps to evaluate program performance.

Publicly funded advertising should advance the public interest, and avoid the appearance of advancing partisan interests. However, New York State has no regulations to direct or guide agencies' and authorities' advertising efforts, and no laws that restrict the appearance of public officials in advertising promoting the services and programs of these entities. If such a policy were in place, it would help ensure that agency and authority media campaigns do not unduly promote the political interests of public officials, especially in periods preceding elections. We identified laws in three jurisdictions, New York City, Rhode Island and Connecticut, that specifically prohibit public officials from appearing in publicly funded advertising for periods ranging from four to eleven months prior to an election. We recommend policymakers consider similar regulation to limit the potential for incumbent public officials to use such advertisements to further their political goals. (See pp. 7-8)

In total, the nine entities we audited spent \$55.7 million on advertising. Television advertising costs totaled \$31.8 million, print advertising \$15.2 million and radio costs \$7.6 million. Advertising costs were almost evenly split among ads that featured public officials, ads that referenced public officials by name and ads with no public official involvement. We estimated that the total cost of advertisements that featured public officials exceeded \$19 million, with over \$16.2 million (85 percent) spent on television advertisements that primarily featured the Governor. The Department of Economic Development accounted for the largest share of this cost with \$12.3 million spent on television ads that featured the Governor promoting tourism and business. We estimated that the nine entities also spent another \$18.1 million on print and television advertisements that referenced public officials, particularly the Governor. (See pp. 8-10)

The majority of funding for these costs came from either State appropriations for the State agencies or non-appropriated revenues for the public authorities. The Department of Health used several funding sources for its advertising campaigns, including over \$11.2 million of Health Care Reform Act funds for its anti-smoking and breast cancer awareness campaigns. We also evaluated the marketing plans for six of the nine entities and found that only one had formally conducted a review of its marketing efforts to determine the effectiveness of its advertising through measurable performance goals. We recommended other agencies develop similar plans to measure effectiveness. (See pp. 11-14)

Comments of Agency and Authority Officials

Officials from seven of the nine entities addressed in this audit responded to our draft report. All of the entities agreed with our analysis of their advertising expenditures, although some questioned the need for more formal marketing plans to guide their efforts. Officials from the Department of Economic Development and the New York Power Authority declined to provide formal written comments.

CONTENTS

Introduction

Background	1
Audit Scope, Objectives and Methodology	2
Response of Agency and Authority Officials to Audit	5

Agency and Authority Advertising Practices

Involvement of Public Officials in Advertisements	7
Financing Advertising and Measuring Advertising Success	11
Advertising and Marketing Procurement Practices	14
Recommendations	15

Exhibit A

Summary of Audited Agency/Authority Advertising Costs

Appendix A

Major Contributors to This Report

Appendix B

Response of Metropolitan Transportation Authority Officials

Appendix C

Response of NYS Office for the Aging Officials

Appendix D

Response of Long Island Power Authority Officials

Appendix E

Response of NYS Energy Research and Development Authority Officials

Appendix F

Response of Department of Health Officials

Appendix G

Response of Department of Environmental Conservation Officials

Appendix H

Response of State of New York Mortgage Agency Officials

INTRODUCTION

Background

According to New York State accounting records, State agencies spent about \$115 million on advertising during the fiscal year ended March 31, 2000. One agency, the Division of the Lottery, spent over \$66 million (57 percent) of these funds, and nine other agencies accounted for another \$37 million (33 percent) of the total. In addition, we estimate that public authorities spent at least \$25 million on advertising for their fiscal years ended between October 31 and December 31, 1999. Three of these authorities spent more than \$1 million each during that period.

State agencies and public authorities spend varying amounts of money on advertising. For example, the Department of Health spent over \$17.5 million on advertising during the 15 months ended June 30, 2001, whereas the Office for the Aging spent only about \$124,000 for advertising during the same period. During this audit, we examined the advertising conducted by the following nine State agencies and public authorities, and the costs associated with their advertising programs: the Department of Health (DOH); the Department of Economic Development (DED); the Metropolitan Transportation Authority (MTA); the New York State Energy Research and Development Authority (NYSERDA); the Long Island Power Authority (LIPA); the State of New York Mortgage Agency (SONYMA); the New York Power Authority (NYPA); the Department of Environmental Conservation (DEC); and the New York State Office for the Aging (NYSOFA). From the perspective of advertising expenditures, these agencies and public authorities represent a cross-section of New York State public entities. We calculated that, collectively, these nine entities spent over \$55.7 million on advertising for the 15-month period ended June 30, 2001. These entities' individual advertising expenditures are shown in the following chart.

Agency/Authority	Total
Department of Health	\$17,535,932
Department of Economic Development	17,172,418
Metropolitan Transportation Authority	11,735,992
NYS Energy Research and Development Authority	5,892,426
Long Island Power Authority	1,772,791
State of New York Mortgage Agency	1,028,535
New York Power Authority	273,282
Department of Environmental Conservation	169,140
NYS Office for the Aging	124,090
Total	\$55,704,606

Details of these expenditures are provided in Exhibit A at the end of this report.

Audit Scope, Objectives and Methodology

We audited the advertising costs of four State agencies and five public authorities for the period April 1, 2000 through June 30, 2001. The agencies and public authorities we selected for review, as named above, had advertising costs in this 15-month period that ranged from relatively small to relatively significant amounts. Our selection originally included a tenth entity, the Empire State Development Corporation (ESDC). However, because we determined that DED paid for all ESDC advertising during the audit period, we omitted ESDC from our group of selected entities.

The objectives of our audit were to calculate the total amount spent on advertising and to determine the extent to which that advertising included public officials. We also sought to identify the sources of funds used to finance these advertisements, and the extent that the desired results or benefits of these advertisements were defined, measured and achieved. Finally, we sought to determine whether advertising services had been acquired economically and efficiently and in compliance with appropriate laws and regulations.

For the purposes of this audit, we established certain definitions for common terms to ensure consistency of approach among the nine agencies and authorities selected for audit. As such,

we defined “advertising” as all program promotional activities that require the purchase (or donation in the case of public service announcements) of media space, including television and radio airtime, billboards or space in newspapers, magazines or private publications such as event brochures. In addition, we considered the term “public official” to include any elected official or appointed position at the Commissioner level or equivalent. We differentiated the extent of public official involvement in various advertisements through the use of two categories: ads that “feature” a public official through the use of their likeness, voice and/or written statements; and ads that “reference” a public official by including the official’s name, but not his/her likeness, voice or written statements.

To accomplish our objectives, we verified the costs reported by each agency or authority to corresponding paid vouchers and invoices for the audit period and categorized the expenditures by type of media (e.g., television, radio, print and other). We also reviewed all advertisements provided by agency/authority officials to categorize the level of public official involvement. We categorized whether these advertising efforts featured public officials, referenced public officials or had no public official involvement.

At NYSOFA, NYSERDA and DEC, we were able to associate all reported costs with a specific category of public official involvement. At the remaining six entities, we were unable to document the extent of public official involvement in each and every advertisement, in most cases because of the large numbers of individual ads placed during the period. We therefore examined a subset of ads at each of these entities and allocated the remaining costs based on the extent of public official involvement in the ads we reviewed.

We interviewed agency/authority officials to determine sources of funding for their advertising and verified this information to paid vouchers when possible. We obtained marketing plans from some of the agencies/authorities and reviewed these plans to determine whether they established measurable goals and objectives for the advertising campaigns they covered. We interviewed agency/authority officials to determine whether they had monitored advertising performance against the marketing plan goals and objectives. We reviewed the major advertising purchases each agency/authority made to ensure the agencies/authorities followed appropriate procurement

guidelines and procedures in obtaining their advertising services. We also researched other government entities throughout the country to determine whether any laws exist that address the use of public officials and public funds in advertising.

During our audit fieldwork, the World Trade Center in New York City collapsed due to a terrorist attack. DED officials and staff were asked to help lead recovery efforts from an economic and business perspective, as well as from a tourism perspective. As a result, DED officials were unable to provide us with copies of various documents we had requested for this audit prior to the attack. To avoid interfering with these important tasks, we decided to curtail our fieldwork and base our conclusions on the documentation that DED officials had already provided. In addition, DED officials were unable to provide us documents pertaining to marketing performance strategies and procurement files for their advertising consultant. Therefore, we did not form any conclusions regarding these two objectives at DED.

Except for the situation noted above, we performed our audit according to generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations that are included in our audit scope. Further, these standards require that we understand each entity's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations included in our scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records, and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on operations identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, we devote little audit effort to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an

“exception basis.” This report, therefore, highlights those areas needing improvement.

Response of Agency and Authority Officials to Audit

Draft copies of this report were provided to agency and authority officials for their review and comment. Of the nine agencies and authorities addressed in this audit, seven submitted written responses that were considered in preparing this report and are included as Appendices B through H. DED and NYPA officials declined to provide written comments. All of the entities agreed with our analysis of their advertising expenditures, although some questioned the need for more formal marketing plans to guide their efforts.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Director, Commissioners and Chairpersons of the agencies and authorities addressed in this audit shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

AGENCY AND AUTHORITY ADVERTISING PRACTICES

Of the over \$55.7 million the nine entities we audited spent on advertising in our 15-month scope period, we estimated that \$37.2 million (67 percent) was spent on advertising that either featured or referenced public officials. New York State has no laws or regulations to establish guidelines for the types of advertising State agencies and public authorities should conduct, to promote accountability for advertising expenditures or to ensure the propriety of taxpayer-funded advertising programs by restricting references to and appearances of public officials. Funding for the advertising came from regular appropriations, with the exception of DOH's use of more than \$11.2 million of sole custody funds administered pursuant to the Health Care Reform Act to pay for certain advertising campaigns. While most of the entities we audited had some form of marketing plan, only one had marketing plans that addressed specific advertisements. We identified no major discrepancies in our audit of the procurement practices for advertising services at these nine agencies/authorities.

Involvement of Public Officials in Advertisements

New York State does not have a policy to direct or guide any aspect of agencies' and authorities' advertising efforts. Each agency and authority determines how and when its advertising should be conducted. Likewise, New York State has no laws that restrict the appearance of public officials in advertising promoting the services and programs of State agencies and public authorities. If such a policy were in place, it would help ensure that agency and authority media campaigns, which are financed by taxpayers for the purpose of advertising or encouraging participation in State programs, do not unduly promote the political interests of public officials, especially in periods preceding elections. Publicly funded advertising should advance the public interest, and avoid the appearance of advancing partisan interests. Without a statewide policy establishing the standards for and limitations of advertising conducted by State agencies and authorities, there is potential

for incumbent public officials to use such advertisements to further their political goals.

We researched laws from other state and local governments to determine if such restrictions are in place in other jurisdictions. We found laws in two states and New York City pertaining to public officials and advertising. These laws are summarized below.

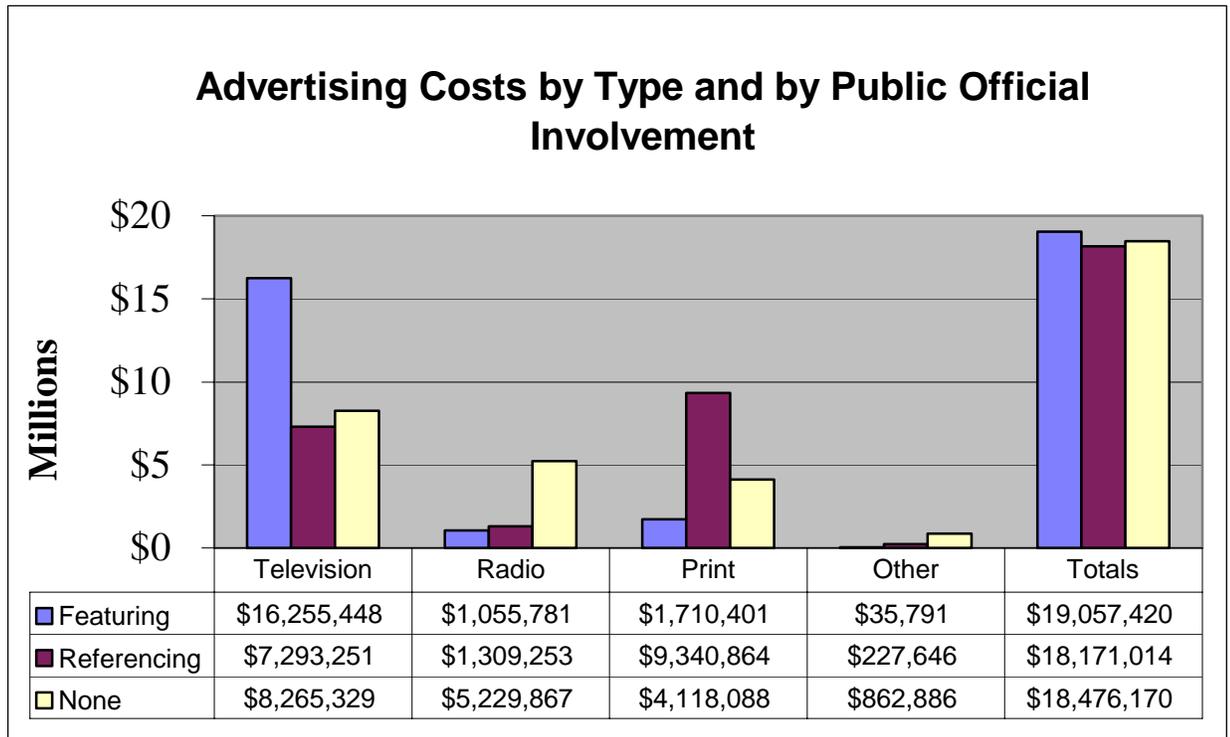
- New York City prohibits any officer or employee of the City or of any City agency who is a candidate for an elective City office, or the spouse of such officer or employee, from appearing or participating in any publicly funded advertising on or after January 1st of the election year.
- Connecticut prohibits publicly funded advertisements featuring candidates for the five months preceding an election. Further, Connecticut bans incumbents from using public funds to pay for flyers or other promotional material during the three months preceding an election.
- Rhode Island prohibits incumbents from appearing in publicly funded advertisements for 120 days prior to either a primary or general election.

In the absence of a law or policy establishing standards for accountability and propriety for publicly-funded advertisements, New York State agencies and public authorities decide how much to spend on advertising campaigns, which programs to promote, what types of media to use for these promotions and when to run the advertisements. We examined the advertising conducted by the nine entities we audited and found that advertising occurred in four categories of media. We also found that some entities spent significantly more money on advertising than did others, and that some entities were more likely than others to feature public officials in their promotions.

Entities incurred advertising costs in four basic media categories: television, radio, print (newspapers, magazines, and programs) and other media, such as billboards and signs on public transportation vehicles and in public transportation terminals. Television was the category that consumed the largest percentage of the advertising costs of these nine entities. Of a total of more than \$55.7 million spent on

advertising, \$31.8 million (57 percent), was spent on television advertisements. DOH and DED spent the most on television advertising, about \$12.8 and \$12.3 million, respectively. For print advertising, the nine entities spent a total of more than \$15.2 million, with MTA spending almost \$5.2 million, DED spending about \$4.2 million and DOH spending almost \$3.6 million of this total. Radio costs totaled over \$7.6 million, of which MTA and NYSERDA spent almost \$4.2 million and \$1.2 million, respectively.

We also examined advertising costs for the nine entities according to levels of public official involvement in the promotions. Of the more than \$55.7 million these agencies and authorities spent on advertising, we determined the costs were almost evenly divided among three types of advertising: advertising that featured public officials (34 percent); advertising that referenced public officials (33 percent); and advertising that had no public official involvement (33 percent). The distribution of these costs is summarized in the following chart by the type of media used.



As illustrated in the above chart, we estimated that the total cost of the advertising featuring public officials exceeded \$19 million.

Of this total, over \$16.2 million (85 percent) was spent on television advertising featuring public officials, almost all of which featured the Governor. DED spent almost \$12.3 million on various advertisements featuring the Governor, including a series of tourism ads promoting the State's tourist attractions, and a series of ads promoting New York as a business-friendly state, both to keep current businesses in the State and to attract new business and industry. NYSERDA spent over \$2.0 million on advertisements promoting the sale of energy efficient air conditioners and the State's buyback of old air conditioners. DOH spent almost \$1.7 million on advertisements informing the public about the Child Health Plus Program and its availability to certain residents of the State.

(Auditors' Note: State Accounting System records indicate that during the six months immediately following our audit period – July through December 2001 – DOH expended another \$3.9 million on advertising, including over \$2.8 million for Child Health Plus.)

The total cost of advertisements that referenced public officials was over \$18.1 million. About \$9.3 million was for print advertising and \$7.3 million was for television advertising. The print ads generally contained a tag line at the bottom with the agency or authority logo and the name of the Governor and/or the Commissioner or Chairperson. The television advertisements usually contained a visual and/or oral reference to the entity and to the name of the Governor and/or the Commissioner or Chairperson. DOH spent over \$7.2 million and MTA spent about \$5.4 million on advertising that referenced public officials.

The nine entities spent almost \$18.5 million on advertisements that had no public official involvement. In this category, DOH made the largest expenditures, almost \$8 million, for anti-smoking television advertisements that it purchased from the Federal Centers for Disease Control and Prevention. DOH was not allowed to alter these commercials, other than to add a reference to the New York State Smokers' Quitline. MTA spent over \$6.3 million on various radio and print ads promoting its services.

Financing Advertising and Measuring Advertising Success

Since advertising can be costly, we also determined how advertising by these public entities is funded, and how well the entities plan for marketing programs and measure advertising effectiveness. We identified the sources of funds used to finance the advertisements purchased by the nine entities we audited and determined whether these agencies and authorities used marketing plans to focus promotion efforts on desired audiences. In addition, we analyzed the extent to which the entities defined the desired results or benefits of advertising campaigns, and measured success in achieving those results.

We found that the majority of the funding for the advertising costs at the nine entities we audited came from either State appropriations for the State agencies or non-appropriated revenues for the public authorities, as shown in the chart below:

Agency	Total Expenditures	State Appropriations	Foundation	Authority Revenue	Sole Custody	Federal Funds	In-Kind Contrib.
DOH	\$ 17,535,932	\$ 3,418,218	\$ 136,833		\$ 11,247,175	\$ 1,689,372	\$ 1,044,334
DED	17,172,417	17,172,417					
MTA	11,735,992			\$ 11,735,992			
NYSERDA	5,892,426			5,892,426			
LIPA	1,772,791			1,772,791			
SONYMA	1,028,535			1,028,535			
NYPA	273,281			273,281			
DEC	169,140	169,140					
NYSOFA	124,090				250	123,840	
Total	\$ 55,704,604	\$ 20,759,775	\$ 136,833	\$ 20,703,025	\$ 11,247,425	\$ 1,813,212	\$ 1,044,334

DOH had several unique sources of funds for its advertising efforts including over \$11.2 million of sole custody funds, such as tobacco settlement monies, administered pursuant to the Health Care Reform Act. DOH used these funds for anti-smoking promotions including billboards, radio and television ads, and also for radio advertisements to promote breast cancer awareness. DOH used State and Federal funding of over \$5.1 million to promote various programs such as Child Health Plus; EPIC, the prescription drug program for the elderly; the New York State Immunization program; and the West Nile Virus initiative.

Having identified the sources of advertising monies, we then examined any marketing plans agencies and authorities had

developed to use these advertising funds effectively. Advertising expenditures should be based on detailed marketing plans that outline intended markets, the various advertising options for reaching these markets and the way to send the entire message to the intended audience. Marketing plans should also define measurable performance goals for the advertising and some form of monitoring to ensure the chosen types of advertising are reaching their intended targets and are having positive, measurable impact.

A critical element of this process is the selection of the type(s) of media and spokespersons to use to deliver the message. There should be a documented process that explains why various advertising options are chosen and states the measurable results the advertising is expected to achieve in meeting the performance goals. In this way, management can use actual performance data to evaluate which methods produce the best results and whether any aspects of marketing plans should be changed.

We evaluated the marketing plans for six of the nine entities we reviewed. We did not examine plans at NYPA or MTA based on our assessment of risk and curtailed our work early at DED due to the World Trade Center attacks. We found that DOH had no marketing plans for advertising expenditures. We found four agencies and authorities that had informal marketing plans, but had not formally evaluated their advertising performance against any measurable performance standards. One entity, NYSERDA, had developed specific marketing plans for its advertising efforts and had contracted with a consultant to evaluate program performance to date.

DOH does not have an official marketing plan in place or any formal means of evaluating its advertising campaigns. Thus, DOH officials had no mechanism in place to evaluate the effectiveness of the over \$17.5 million they spent on advertising during this period. However, DOH officials expressed confidence that, through the use of television, radio, and print advertisements, DOH is able to reach its target audiences. DOH officials believe the advertising campaigns to be successful, based on the record number of residents enrolling in State-run health care programs.

DOH officials disagree with our conclusion that the agency does not have formal marketing plans or evaluation procedures in place. In their response to our draft audit report (Appendix F),

DOH officials included a document that they described as "...a detailed explanation of (their) advertising methods and results..." which had already been provided to us during the audit. We did not consider this document to be a marketing plan, since it was prepared after the fact, specifically for our audit. DOH cites data on program enrollment and telephone inquiry volume as evidence of marketing success. However, the absence of clear performance goals and objectives, established beforehand, makes it difficult to assess either if the results achieved were as expected or the extent to which advertising efforts may have contributed to those results.

DOH further indicates that campaigns that have been running for several years or that are run on an annual basis, do not have marketing plans re-written every year. Instead, the advertising contractor, program staff and DOH's Public Affairs Group discuss campaign elements and implement changes. DOH acknowledges that the campaigns operating during our audit period were ongoing projects of this sort, which officials feel may have contributed to the impression that the Department never uses marketing plans. However, we continue to question why, if formal marketing plans are in fact used, DOH has not produced them and instead continues to present materials developed after our audit was initiated.

Four other entities we reviewed had informal marketing plans with limited provision for performance measurements or evaluations, as summarized below:

- LIPA contracted with one advertising agency to coordinate most of its various advertising campaigns. LIPA officials provided some general marketing plans, but these plans did not include specific ad content and did not mention the extent of public official involvement. However, LIPA officials indicate that public officials are often used in advertisements because they provide credibility and an established presence in the marketplace.
- SONYMA is statutorily required to advertise its programs and had a general written marketing plan governing this activity. However, the plan did not address why SONYMA features the Governor in many of its advertisements. SONYMA officials stated they use the Governor in the advertisements to enhance public

confidence by illustrating that the government holds these mortgages. SONYMA officials provided no evidence that they analyzed whether their advertising campaigns were effective.

- DEC officials provided us with no formal marketing plans or analysis of marketing results. They indicated that they rely on their advertising agency to perform these tasks. They believe their marketing efforts are working, based on substantial rises in revenues at their ski area during the 2000 and 2001 ski seasons.
- NYSOFA conducted one advertising campaign during the audit period, informing the public at the end of the 1999-2000 winter about the availability of more Home Energy Assistance Program funds. NYSOFA officials provided us with their reasons for choosing the type and placement of advertising media for this program. They stated, however, that they do not have access to the information needed to evaluate the results of their advertising, since individuals responding to the ads did not contact NYSOFA, but rather applied for assistance directly through State and local social service agencies.

NYSERDA officials provided us with detailed marketing plans for one of their advertising campaigns, Energy Star ads featuring television home improvement show host Steve Thomas. In addition, they provided us with more general marketing plans for their other advertising that featured or referenced public officials. The marketing plans established measurable performance goals. NYSERDA contracted with a consultant to determine the effectiveness of the program by measuring results against these established performance measures. The consultant concluded that the marketing program was successful, based on the identified goals and objectives.

Advertising and Marketing Procurement Practices

State agencies and authorities should use appropriate procurement methods for obtaining their advertising and marketing services to make sure the State receives quality goods and services at reasonable prices. We reviewed the advertising procurement practices of five of the nine entities we audited. We curtailed our review at DED because of the terrorist attack on the

World Trade Center, and DED officials' need to concentrate on the recovery effort. We did not review procurement practices at DEC, NYPA and MTA because we determined there were low risks associated with their practices. We found that State agencies followed the appropriate State purchasing policies and the authorities followed their established purchasing procedures.

Recommendations

To State Policymakers:

1. Consider whether there is a need for legislation, similar to that in place in other states and in New York City, to limit public official involvement in publicly funded advertisements, especially in periods preceding elections.

To State Agencies and Public Authorities:

2. Develop and use marketing plans for advertising programs and measure the effectiveness of those programs in achieving stated performance goals.

**Summary of Audited Agency/Authority Advertising Costs
April 1, 2000 to June 30, 2001**

		Ads Featuring Public Officials		Ads Referencing Public Officials		Ads With No Public Official Involvement		Total
Department of Health	Television	\$ 1,685,711	\$	3,168,998	\$	7,982,804	\$	12,837,513
	Radio	373,723		728,316		-		1,102,039
	Print	-		3,325,653		270,727		3,596,380
Total		\$ 2,059,434	\$	7,222,967	\$	8,253,531	\$	17,535,932
Department of Economic Development	Television	\$ 12,261,817	\$	-	\$	-	\$	12,261,817
	Radio	329,634		-		-		329,634
	Print	1,353,370		2,323,645		519,577		4,196,592
	Other	-		-		384,375		384,375
Total		\$ 13,944,821	\$	2,323,645	\$	903,952	\$	17,172,418
Metropolitan Transportation Authority	Television	\$ -	\$	2,366,545	\$	-	\$	2,366,545
	Radio	-		-		4,203,460		4,203,460
	Print	-		3,016,936		2,149,051		5,165,987
Total		\$ -	\$	5,383,481	\$	6,352,511	\$	11,735,992
NYS Energy Research and Development Authority	Television	\$ 2,051,560	\$	984,951	\$	271,973	\$	3,308,484
	Radio	238,790		188,091		731,238		1,158,119
	Print	-		128,554		835,092		963,646
	Other	-		5,412		456,765		462,177
Total		\$ 2,290,350	\$	1,307,008	\$	2,295,068	\$	5,892,426
Long Island Power Authority	Television	\$ 256,360	\$	493,197	\$	-	\$	749,557
	Radio	113,634		-		225,356		338,990
	Print	903		403,570		-		404,473
	Other	35,791		222,234		21,746		279,771
Total		\$ 406,688	\$	1,119,001	\$	247,102	\$	1,772,791
State of New York Mortgage Agency	Television	\$ -	\$	279,561	\$	-	\$	279,561
	Radio	-		392,846		-		392,846
	Print	356,128		-		-		356,128
Total		\$ 356,128	\$	672,407	\$	-	\$	1,028,535
New York Power Authority	Television	\$ -	\$	-	\$	10,552	\$	10,552
	Radio	-		-		18,558		18,558
	Print	-		18,416		225,756		244,172
Total		\$ -	\$	18,416	\$	254,866	\$	273,282
Department of Environmental Conservation	Television	\$ -	\$	-	\$	-	\$	-
	Radio	-		-		51,254		51,254
	Print	-		-		117,886		117,886
Total		\$ -	\$	-	\$	169,140	\$	169,140
NYS Office for the Aging	Television	\$ -	\$	-	\$	-	\$	-
	Radio	-		-		-		-
	Print	-		124,090		-		124,090
Total		\$ -	\$	124,090	\$	-	\$	124,090
Grand Total		\$ 19,057,421	\$	18,171,015	\$	18,476,170	\$	55,704,606

MAJOR CONTRIBUTORS TO THIS REPORT

Frank Houston

John Buyce

Joel Biederman

Greg Petschke

Maureen Costello

Myron Goldmeer

Kevin Kissane

Charlie Krahula

Mike Miller

Mark Bowers

Claudia Byam

ShaDina Poole Currie

Mike Durkin

Brittany Hayes

Christopher James

Christopher Brown

Nancy Varley

347 Madison Avenue
New York, NY 10017-3739
212 878-7200 Tel
212 878-7030 Fax

Peter S. Kalikow
Chairman



Metropolitan Transportation Authority

State of New York

December 11, 2001

Mr. Frank L. Houston
Audit Director
Office of the State Comptroller
Division of Management Audit & State Financial Services
123 William Street – 21st Floor
New York, NY 10038

Re: Report # 2001-5-37. Draft Audit Report, State Agency and Authority Advertising Practices.

Dear Mr. Houston:

This is in reply to your letter requesting a response to the above-referenced draft audit report.

I have attached for your information a memorandum from Christopher Boylan, the MTA Deputy Executive Director, Corporate Affairs & Communications, which addresses this report.

Sincerely,

A handwritten signature in black ink, appearing to be "Peter S. Kalikow".

Attachment

Memorandum



Metropolitan Transportation Authority

State of New York

Date December 10, 2001

To Peter S. Kalikow, Chairman

From Christopher P. Boylan, DED, Corporate Affairs & Communication

Re **Report # 2001-5-3. State Agency and Authority Advertising Practices**

We have reviewed the draft report for this audit and find that the information about the MTA contained therein accurately reflects the material provided by us.

With regard to the recommendation to "develop and use marketing plans for advertising programs and measure the effectiveness of those programs in achieving stated performance goals," we are in complete accord. MTA advertising programs fall into two basic categories: an umbrella program and targeted efforts. The umbrella program is a joint effort designed to build ridership on our subways, buses, and railroads by communicating the benefits of using mass transportation. The targeted efforts are designed to provide necessary service change/improvement/destination information to railroad, bus, and subway customers. Marketing briefs and media plans are developed for all efforts.

We monitor all our efforts. Annual tracking research surveys report on advertising awareness and consumer attitudes. Usage of combination rail/attractions discount packages is tracked. And ridership data is used to help assess the results of both the overall umbrella efforts and targeted programs. (Of course, advertising is only one of many variables in terms of ridership.)

cc: Forrest R. Taylor

George E. Pataki
Governor
Patricia P. Pine, Ph.D.
Director



Two Empire State Plaza
Albany, New York
12223-1251
www.aging.state.ny.us

December 11, 2001

Frank J. Houston
Audit Director
Office of the State Comptroller
Division of Management Audit
& State Financial Services
123 William Street - 21st Floor
New York, NY 10038

Dear Mr. Houston:

This is in response to the draft report 2001-S-37 regarding the audit of State Agency and Authority Advertising Practices conducted by the Office of the State Comptroller. The draft report includes the following recommendation for the state agencies and public authorities:

"2. Develop and use marketing plans for advertising programs and measure the effectiveness of those programs in achieving stated performance goals."

Our Office does not usually conduct advertising campaigns. The advertising campaign related to the Home Energy Assistance Program referenced in the audit was of a one-time nature. Currently, we do not have plans to conduct a future advertising campaign. If the need for an advertising campaign occurs in the future, we would consider development of a marketing plan for the advertising program.

Thank you for sharing the draft audit report. Please feel free to contact James Foy at (518) 473-4808 if you have any questions on this.

Sincerely,
A handwritten signature in black ink, appearing to be "P. Pine".

Patricia P. Pine, Ph.D.

cc: Neal E. Lane
Robert A. Bush
James M. Foy

PROMOTING INDEPENDENCE AND QUALITY OF LIFE FOR OLDER NEW YORKERS
An Equal Opportunity Employer

Senior Citizens' Hot Line 1-800-342-9871

Appendix C



333 Earle Ovington Boulevard
Suite 403
Uniondale, NY 11553
(516) 222-7700 Fax (516) 222-9137
<http://www.lipower.org>

December 10, 2001

Mr. Frank J. Houston
Audit Director
Office of the State Comptroller
Division of Management Audit & State Financial Services
123 William Street – 21st Floor
New York, NY 10038

Dear Mr. Houston:

This letter is in response to the Draft Report issued by the New York State Office of the State Comptroller (2001-S-37) addressing State Agency and Authority Advertising Practices. Generally, the Long Island Power Authority (LIPA) concurs with the findings included in the draft report. However, LIPA does wish to comment on one section of this report as follows:

Audit Scope, Objectives and Methodology

In the last paragraph on page 4, LIPA is mentioned as one of five entities not to have provided to the Office of the State Comptroller a Representation Letter in connection with this audit. The receipt of the representation letter by the office of the State Comptroller coincided with the receipt of this draft report by LIPA (they had crossed in the mail). A telephone conversation on November 20, 2001 between Mr. Biederman of the State Comptroller Office and Robert Conroy of LIPA confirmed that the representation letter was received by the Office of the State Comptroller. Reference to LIPA should be deleted from this paragraph.

Sincerely,

Richard M. Kessel
Chairman

NYSERDA New York State Energy Research and Development Authority

Vincent A. Delorio, Esq., *Chairman*
William M. Flynn, *President*
Corporate Plaza West, 286 Washington Avenue Extension, Albany, NY 12202-6399
Toll Free: 1 (866) NYSERDA • (518) 862-1090 • Fax: (518) 862-1091 • www.nysesda.org

RECEIVED
2001 DEC 10 PM 1:34
OFFICE OF THE STATE
COMPTROLLER
MANAGEMENT AUDIT
NYC OFFICE

November 26, 2001

Mr. Frank J. Houston, Audit Director
Office of the State Comptroller
Division of Management Audit & State Financial Services
123 William Street - 21st Floor
New York, NY 10038

RE: Response to draft audit report on Statewide Advertising Audit (2001-S-37)

Dear Mr. Houston:

I am writing in response to your draft audit report summarizing the results of your recently completed examination of NYSERDA's advertising costs for the period April 1, 2000 through June 30, 2001.

I was pleased to see that your report noted the effectiveness of NYSERDA's public awareness and advertising campaigns, the timeliness and cost-effectiveness of our advertising purchasing procedures, and the appropriateness of using an independent contractor to establish goals and monitor the results of the awareness campaign. As such, we have no response regarding the recommendation directed to public authorities to develop and use marketing plans for advertising programs and measure the effectiveness of those programs in achieving stated performance goals.

We are very proud of the results of the Energy Star[®] public awareness campaign. The campaign, awarded the 2000 Energy Star[®] "Excellence in Consumer Education" by the U.S. Department of Energy and the U.S. Environmental Protection Agency, has resulted in substantial increases in the awareness, stocking, and sales of Energy Star[®] appliances in New York State. As a result, significant energy savings, along with environmental and economic benefits have been provided to the State's residents.

Lastly, we understand from Mr. Joel Bederman that the final report will be corrected to note that NYSERDA had provided the requested audit representation letter.

I appreciate the opportunity to provide comment on your preliminary report. Should you wish to discuss this response further, please contact me.

Sincerely,



Vincent A. Delorio, Esq.
Chairman



STATE OF NEW YORK
DEPARTMENT OF HEALTH

Corning Tower The Governor Nelson A. Rockefeller Empire State Plaza Albany, New York 12237

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner

Dennis P. Whalen
Executive Deputy Commissioner

January 4, 2002

Frank J. Houston
Audit Director
Office of the State Comptroller
Alfred E. Smith Building
Albany, New York 12236

Dear Mr. Houston:

As you know, the Department of Health provided the Comptroller's Office a detailed explanation of our advertising methods and results at the beginning of the above referenced audit. Unfortunately, this information was not included in the audit report.

In that document (attached), we identified an article which appeared in the October 2000 issue of the *Kaiser Marketing Report*, entitled "Marketing Medicaid and CHIP: A Study of State Advertising Campaigns." That study stated that, "state officials say that it is important to have support from every person in the department involved with CHIP and Medicaid, especially the governor. They say there are still some negative stereotypes of government programs, and that the support of people like the governor or trusted organizations has helped reduce these negative perceptions."

By using the Governor and State Health Commissioner in electronic advertising, New York State has established the reliability and credibility of the Child Health Plus program in the minds of families throughout the state. That practice is consistent with other states and is supported by programmatic results. In response to the draft audit report of the Department of Health's advertising, the Department would like to make the following points:

- DOH advertising helped reach unprecedented enrollment levels in State programs such as Child Health Plus and EPIC. Clearly, the media that have been chosen and the messages that have been delivered have demonstrated their effectiveness.

In a previous OSC audit of the management of Child Health Plus B, issued May 23, 2001, your office stated:

“We examined the actions taken by the Department to increase enrollment in the Child Health Plus B Program. We found that these actions had been effective, as enrollment increased from about 153,000 in November 1997 to more than 530,000 in October 2000.”

We agree with this assessment. Under Governor Pataki’s leadership, we are enrolling more children than ever before and are providing them with comprehensive health care so that they can grow up healthy and strong.

The Elderly Pharmaceutical Insurance Coverage (EPIC) program has also experienced strong gains in enrollment, rising from 92,650 in May 1998 to nearly 250,000 today. While the dedicated work of staff members and field contractors in enrolling participants has been important, it is DOI-sponsored advertising that has kept New Yorkers aware of these programs and helped lead them to the program.

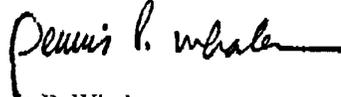
It is critical that EPIC is identified as a State program. As has been recently reported, a number of health plans have dropped out of the federal managed care Medicare program, leaving seniors across the State without prescription drug coverage. Private retirement plans have also dropped prescription drug coverage because of the high cost. As a result, approximately 50,000 seniors have been left without drug coverage. By identifying EPIC as a state program, seniors know that they can apply for and get their medicines at low cost through a stable, permanent State program. In our opinion, there is no better way to inform the public that EPIC is a State program than by using a State official in our advertising.

- The preliminary audit states that “DOH does not have an official marketing plan in place or any formal means of evaluating its advertising programs.” This is incorrect. All of DOI’s television and radio advertising – the largest percentage of advertising dollars – are placed by a professional media buying agency. That agency has access to ratings information that allows them to buy television and radio schedules that will most effectively reach the intended audience for each program. A detailed summary of the program schedule, rating points, and reach are provided to DOI for each buy that the advertising agency places.
- Secondly, DOH tracks the effectiveness of its campaigns through analysis of calls to hotlines displayed in the advertising and through enrollment levels. These analyses were provided to the auditors. Finally, marketing plans are presented by the Public Affairs Group staff to the requesting programs at the start of each new campaign. A sample marketing plan for the lead poisoning prevention program’s testing campaign is attached. However, campaigns that have been running for several years, such as Child Health Plus, or are run on an annual basis, such as Adult Immunization, do not have marketing plans re-written every year; modifications to campaign elements are discussed between the Public Affairs Group and the program and approved modifications are then implemented.

Since the campaigns examined during the audit period were primarily ongoing campaigns, the impression that the Department never uses marketing plans was, we feel, an unfortunate and inaccurate assessment.

We appreciate the opportunity to respond to the audit to highlight information about the Department's advertising campaigns and our goal of increasing enrollment levels to their highest in state history - which are clearly demonstrated by the numbers.

Sincerely,

A handwritten signature in black ink that reads "Dennis P. Whalen" with a horizontal line extending to the right.

Dennis P. Whalen
Executive Deputy Commissioner

DOH Advertising Objectives/Outcomes
4/2000 – 6/2001

Summary:

The Department of Health has been and continues to be tremendously successful in promoting and marketing its health insurance programs to the residents of New York State. As a result of our efforts, we have seen record number of residents enrolling in State-run health care programs. Programs like Child Health Plus (500,000 enrolled), EPIC (210,000 enrolled) with enrollment at their highest levels in State history is proof-positive that the media campaigns that were being conducted have been extremely effective.

Child Health Plus:

Since Child Health Plus is marketed by the contracted health plans as well as by the Department, our marketing has three objectives:

1) Keep top-of-mind awareness of the program high statewide. Marketing on a local scale is done by the health plans and facilitated enrollers. Our task is to make sure that eligible families have heard of the program, know that it can provide health coverage for their children, and know where to get more information about how to enroll.

2) Make sure that Child Health Plus is known as a New York State-sponsored program open to all children who are New York State residents. Health plans like to try to identify the program as one of their initiatives; even though their advertising is reviewed by the Department to make sure that the program is identified as State-sponsored, the plans try to blur the distinction as much as they can. We therefore have used television advertising with the Governor and Commissioner to underscore that this is a government-sponsored program open to all. Television spots are produced and run in both English and Spanish versions.

In "Marketing Medicaid and CHIP: A Study of State Advertising Campaigns," an article which appeared in the October 2000 issue of the *Kaiser Marketing Report*, Kaiser reported that "state officials say that it is important to have support from every person in the department involved with CHIP and Medicaid, especially the governor. They say there are still some negative stereotypes of government programs, and that the support of people like the governor or trusted organizations has helped reduce these negative perceptions." By using the Governor and Commissioner in television advertising and trusted community organizations as facilitated enrollers, New York State has established the reliability and credibility of the Child Health Plus program in the minds of families throughout the state.

3) Finally, if there are eligible populations that do not seem to be reached by the health plans or facilitated enrollers, we will undertake targeted advertising to reach them. Advertising in selected ethnic newspapers and magazines has been the primary vehicle for achieving this objective.

Results:

Measurement of the success of these goals is done by calls to the hotline number carried on all advertising, and by enrollment data. Enrollment data, of course, also reflects the health plans' marketing efforts.

- From June 2000 until June 2001 there were 99,605 calls to the 1-800-698-4KIDS hotline number (the number used in DOH advertising). Nearly 20 percent or 19,891 of those calls were reported as generated by television ads, the single highest category.

The impact of television advertising can be dramatic. For instance:

- In January 2001, when the Department's Child Health Plus TV campaign was in full swing, enrollment increased by 60,000 children.
- In August 2000, when the advertising campaign was not running, enrollment in Child Health Plus was only 32,000 – a nearly 50 percent decline.
- Total enrollment in the Child Health Plus program is currently over 500,000, a more than 500 percent increase since the end of 1994.
- During the April 2000 to May 2001 time frame, new enrollments for Child Health Plus averaged nearly 44,000 per month. When compared to the average monthly enrollment of 4,919 during 1994, it is clear that Governor Pataki's participation in the marketing and promotion of this critical State-run program is paying huge dividends for families across New York State, especially the children.

The results listed above are proof-positive that the State's media campaign has been extremely successful in raising public awareness of the CHP program and identifying it as a trustworthy State-administered program. Thanks to Governor Pataki and his commitment to this nationally recognized children's health insurance program -- enrollment has exploded to 500,000 previously uninsured children, dwarfing the paltry 90,000 enrolled at the end of 1994.

Elderly Pharmaceutical Insurance Coverage – (EPIC):

The target population for EPIC is seniors over the age of 65 with household incomes under \$35,000 (for individuals) or \$50,000 (for couples). Because the income limits for joining EPIC were raised in January 2000, many seniors are now eligible for the program who may not have been before.

Our primary marketing objective for this program since April 2000 has therefore been to make eligible – especially newly eligible -- seniors aware of the program and how it can benefit them. Our other objective is to make sure that EPIC is identified in seniors' minds as a State-sponsored (as opposed to private Medigap insurance), user-friendly program that they can trust.

This audience responds well to both newspaper and broadcast advertising. For the past two years, we have run a series of testimonial radio and TV ads taped by actual EPIC participants representing both NYC and upstate locations. Client feedback from the EPIC program indicates that this approach is highly effective.

A 12-week statewide TV flight, from March to May of 2000, ran ads featuring two EPIC participants, one from upstate New York and one from Manhattan. The amount of the buy was \$450,000.

- The campaign generated just over 3,000 application requests, and there were 3,264 new enrollments from March to May.

This year we again used testimonials from EPIC participants, but in a radio format introduced by Governor Pataki. This was done to underscore EPIC's identification as a New York State program. Identifying the program as a New York State program is important because, at this time, private HMO's were dropping Medicare prescription drug plans -- leaving seniors scared that they would not be able to afford their medicines. The radio ads (two in English, one in Spanish) ran statewide from April through May. The radio campaign was budgeted at \$750,000.

- The campaign has generated 3,881 applications requests to date. There were 24,915 new enrollments from the beginning of March to the end of May. Total enrollment in EPIC is currently more than 227,000.

Print advertising has also proved to be effective for EPIC. Beginning in mid-May of this year, the Department ran ads promoting EPIC's new income limits in 33 ethnic newspapers in the metro NYC area. These ads featured a picture of Governor Pataki, both to build on the radio campaign and because of the New York State identification factor mentioned above. To date these ads have resulted in 839 application requests.

Tobacco Cessation Campaign:

Under Governor Pataki's leadership, New York State has embarked on its largest anti-smoking campaign in State history and one of the largest in the nation. The Governor has allocated more than \$60 million to support the Department's statewide tobacco control program, including billboards, television advertising, youth enforcement and empowerment activities, school-based health center anti-smoking activities, among other components.

The Department continues to follow its longtime policy of encouraging adult smokers to stop using tobacco and discouraging teens and young adults from starting tobacco use. Thanks to funding from the Master Tobacco Settlement, we have been able to reinforce these messages with a substantial amount of television and outdoor advertising. Both media have been targeted to adult smokers; time is bought on programs appealing to smokers aged 18 to 49, and many of the billboard locations took over existing contracts formerly held by tobacco companies.

Between November 2000 and July 2001, the Department made arrangements with the Centers for Disease Control and Prevention to use six television ads (one in Spanish) from the CDC's Media Campaign Resource Center. These ads target adult smokers and use various arguments – pleas of children, a granddaughter's upcoming birthday, the untimely deaths of family members from smoking – to persuade smokers to quit. Total air time invoiced through June 13th has been \$8,736,592.70. The ads are tagged with the phone number of the New York State Smoker's Quitline. 33,671 calls were received by the Quitline from January to May '01.

The Department has also contracted with outdoor advertising companies to post six different billboard ads (also from the CDC) on 179 billboards statewide from July 2000 through December 2001. Total cost of printing and posting during this time period was \$2,016,029. Calls to the Department and e-mails received by NYHealth indicate that the billboards have been an effective way of getting out the Department's anti-smoking messages.

Adult Immunization:

Each autumn since 1998, the Department has promoted flu immunization to older adults and those at high risk of getting the flu. The Department ran an adult immunization campaign for upstate markets and Long Island from November to December 2000. The campaign was targeted to adults aged 65 and over, with an emphasis on African-American and Hispanic adults, whose immunization rates have been historically below those of Caucasians. Originally the campaign was planned to emphasize the importance of getting an annual flu shot early in the fall.

However, as fall approached, the CDC informed the Department that supplies of flu vaccine were being produced at extremely low levels and that there would be not enough to immunize everyone in October and November. It was therefore decided to delay the campaign until November and December and to include promotion of pneumococcal immunization, since the pneumococcal vaccine supply was not in short supply. The Merck pharmaceutical company and the Rochester Immunization Coalition supplied the Department (free of charge) with the artwork for 3 billboards (2 in English, one in Spanish) promoting pneumococcal vaccination. Billboards were purchased in Rochester, Syracuse, Albany, Buffalo and Long Island. Total cost for 2 months of posting was \$69,820.

A radio spot was produced telling seniors that, although the flu vaccine was delayed, immunizations received later in the season were still an effective way to protect themselves from the flu. Radio time was purchased to air for 6 weeks, from mid-November through December; the buy was for \$80,000. Markets were the same as those for the billboards.

The Department also worked in cooperation with the State Office for the Aging (SOFA) to promote a flu helpline staffed by seniors and a web site (www.flu.state.ny.us), both set up to tell people where flu clinics were being held in their area. From June 2000 to April 2001 the web site received approximately 16,000 hits. 700,000 bag stuffers with the SOFA hotline and flu website were printed at a cost of \$2,660 and distributed to pharmacies by pharmaceutical companies.

Despite our efforts, the rate of flu immunizations for NYS Medicare recipients in 2000 (37.8%) was not as high as the previous year (43.0%), but the vaccine shortage caused flu immunization rates to drop even more nationally (from 44.7% to 37.2%).

Voluntary Contribution to the Breast Cancer Research and Education Fund:

In 1996, the New York State legislature created a Breast Cancer Education and Research Fund, to be supported by voluntary contributions indicated by New York State residents on their State income tax form. The program is jointly administered by the State Health Department and the State Department of Taxation and Finance.

The Department's marketing objectives are to raise awareness of the Fund among New York State taxpayers; to let taxpayers know that the money they contribute is totally allocated to breast cancer education and research, with no administrative or overhead costs; and this past year, to let taxpayers know that the State matches their contributions dollar for dollar.

To achieve these objectives, two testimonial radio spots were taped in March 2000. In one, a scientist from Albany Medical College, whose research is funded by the Breast Cancer Education and Research Fund, explains how his research may one day lead to treatments to slow the growth of breast cancer.

In the other, two women who attend the "Nurturing Neighborhood" program for breast cancer survivors at a Kingston hospital tell what the Fund-sponsored program has meant to their recovery. Both spots are introduced by First Lady Libby Pataki, who is well known in the cancer community for the personal interest she has taken in breast cancer issues.

This year, the same testimonials were used, but with a new introduction by Mrs. Pataki explaining that now New York State matches taxpayer contributions to the Fund. The spots aired statewide during the first two weeks of April of 2000; in 2001 they aired in late March and early May. Each buy was for \$150,000.

Results of this campaign have been measured by the number of taxpayers opting to contribute to the Breast Cancer Research and Education Fund. To date, the program has generated more than \$2 million to help fight breast cancer in New York State. The average number of contributors from 1996 to 1999 (the most recent data we have) is nearly 68,000.

Partnership for Long-Term Care:

This State-sponsored insurance program to cover costs of long-term care ran a 12-week radio and TV campaign from March to May of 2001. Cost of the radio and TV buy was \$209,535 for television, \$159,010 for radio, and \$10,615 for commission. Ads, which were produced for the Partnership under a contract for the NYS Department of Social Services five years ago, referred callers to the Partnership hotline number. Calls to the hotline, which had been averaging 300-400 per month prior to the campaign, jumped to 1800 a month while the campaign was airing.

WellNYS Weekend:

To promote public awareness of the importance of specific health screenings, New York State Health Commissioner Dr. Antonia Novello organized a weekend of free health screenings in the Capital District on Mary 4th and 5th, 2001. Over 20 hospitals in a 7-county area offered free blood pressure, cholesterol, and diabetes screenings, as well as information about smoking cessation and breast, prostate and colorectal cancer.

To publicize this event, Dr. Novello taped a radio ad which was aired on Capital District radio stations from April 16th to May 4th, 2001. The total radio buy was \$25,538.74. The Commissioner also made a number of appearances on local TV shows to promote the event. 391 inquiries were received by the hotline number given on the radio ads. 578 individuals participated in the event.

Untallied campaigns:

The following campaigns were informational campaigns not tagged with a hotline; response to them therefore cannot be easily quantified.

Abstinence – Since 1998, the Department has used the nationally recognized “Not Me, Not Now” campaign developed by Monroe County to promote sexual abstinence by young teens. The campaign has been extensively tested and found to be effective in making abstinence a more normative behavior among teens. Monroe County makes the masters of the TV and radio spots available to the Department for the cost of \$1.00; the Department pays for dubbing of the spots and for the airtime. From September 18th to December 28th, 2000, the Department ran two “Not Me, Not Now” TV ads and two radio ads statewide. The \$1,000,000 buy was split equally between TV and radio. Ratings figures from the media buy indicate that the campaign reached 2,044,431 teens, or 90.53% of the 12-17 population in New York State, according to the 2000 Census figures.

- **Lead poisoning prevention** – The Child Health Unit of the Department’s Center for Community Health wanted to raise awareness of lead poisoning prevention measures and testing in seven upstate zip codes (in Buffalo, Rochester, Syracuse, Albany, Schenectady, and Washington County) where children show elevated blood lead levels. It was decided that the year 2000 campaign would emphasize testing; the program selected bus shelters,

flyers, and radio PSAs as the media to be used. The campaign ran from August–September 2000. This year the program wanted to emphasize the importance of washing lead dust from window sills and window wells during warm weather when windows are open. \$150,000 worth of TV time was purchased for a previously produced animated :30 spot showing parents how to protect their children from lead dust in the home environment. Spots ran in the upstate markets identified above. The spot ran from 4/9- 5/27/01. It should be noted that the other elements of this campaign ran after 6/12: a radio PSA explaining to parents how to effectively wash windowsills and window wells was released in July, as was a poster printed in English and Spanish.

- **Asthma prevention** – As part of an ongoing cooperative agreement with the Cable Television and Telecommunications Association of New York (CTTANY), two 30-second television ads to raise awareness of childhood asthma prevention and treatment were produced and run during February and March of 2001. The DOH/CTTANY agreement, which has been renewed annually for the past several years, provides for the production and airing of a 2-month health education television campaign throughout New York State. CTTANY matches the value of the air time the Department of Health purchases with donated time on CTTANY member cable systems, effectively allowing the Department to produce and air a highly visible health education campaign for half the normal price. This year the Department bought \$453,400 worth of air time; together with the time donated by CTTANY stations, the value of the campaign's television time was over \$900,000. The spots, which informed parents of steps they could take to prevent children's asthma attacks, were targeted to parents aged 25-49 and ran on cable channels popular with that demographic, such as the Family Channel, Lifetime Television, the Discovery Channel, VH1, ESPN2, CNN, and Black Entertainment Television. The two spots ran from February 5th through March 25th.
- **Infant immunization** – To mark National Infant Immunization Month (April), the Department's Immunization program launched a campaign promoting infant immunization that ran during the month of April 2001. Marketing was targeted to parents of newborns and infants under one year of age. Since the NYC Health Department does its own immunization campaigns (their immunization requirements differ from those for upstate) the campaign targeted upstate and Long Island markets only. The campaign used bus sides, billboards, and posters with pictures of multi-ethnic babies and the theme, "Unfortunately, the people hurt most by not being immunized can't talk about it." Infant health record booklets were also produced and were distributed to parents of newborns through local birthing hospitals, county health departments, and mailings to clinics. Response to the campaign will be evaluated by the National Immunization Survey rates in the targeted areas for the quarter following the campaign; however, these figures will not be available until next year.

West Nile Virus:

The Department's initial goal for this campaign in the spring of 2000 was to educate homeowners about how to reduce mosquito breeding sites on their property. This objective, as well as the campaign theme—"Fight the Bite"—was arrived at in consultation with and upon the recommendation of representatives of affected local health departments and environmental organizations. A :30 television spot tagged with the Center for Environmental Health hotline number was produced on a pro bono basis by the Department of Environmental Conservation. Since Desmond Media was not under contract at that point, a television buy on the Cablevision systems in Westchester and Long Island — the television markets closest to the geographical area affected by the virus — was placed by Health Promotion staff during July and August. During the spring and summer of 2000, the Environmental Health hotline received 8,000 calls. As calls were not tracked by source and many questions concerned pesticide spraying, it is difficult to directly correlate call volume with the effectiveness of the television ad. However, county health departments told us that the spot was frequently aired, and that homeowners were cooperating with breeding site reduction although businesses and construction sites were not. Based on this feedback, a :30 radio spot, "Fight the Bite at Work," was produced to address worksites and released as a PSA. Business reply cards (enclosed with the spot) returned indicated that 18 stations used it; most gave it heavy play. Later in the season, based on recommendations from our public communications workgroup that education needed to shift to personal protection measures, another :30 TV spot was produced that promoted measures as wearing long-sleeved shirts, long pants, and using insect repellents. Desmond Media (now under contract) purchased time for the spot in the Hudson Valley, Syracuse, Albany, and Buffalo markets from August to October 2000. These markets were chosen because of indicators that the virus was spreading statewide, and these areas had not received as much West Nile information as the downstate markets. Informational brochures and pesticide fact sheets were produced and distributed through county health departments.

The Fight the Bite campaign was evaluated by risk communication researchers at Cornell University and found to be effective. This research was presented during December 2000 at the Society for Risk Analysis annual conference in Washington, D.C. The Department was also invited to present information about how the Fight the Bite campaign was created and implemented.

With no state budget in place at the start of the 2001 West Nile Virus season, we used the previously produced "Fight the Bite" spot and aired it on bonus television time given to us by the stations because of our other buys. Print materials were reprinted using Federal funds.

Seatbelt Safety – A \$25,000 radio campaign to promote wearing seatbelts aired in the Albany, Watertown and Plattsburgh markets from 9/25 to 10/13/01. These markets were selected because of low rates of seatbelt use according to data from the Governor's Traffic Safety Committee and the National Highway Traffic Safety Administration. Listeners were encouraged to write in to the Department's PO Box 2000 for a copy of an educational brochure promoting the use of seatbelts. Brochures were also distributed to the county health departments in these areas. To date, 25,000 English and 7,000 Spanish brochures have been distributed since the campaign began airing.



GEORGE E. PATAKI
GOVERNOR

STATE OF NEW YORK
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
ALBANY, NEW YORK 12233-1010

ERIN M. CROTTY
COMMISSIONER

JAN - 3 2002

Mr. Frank J. Houston
Audit Director
Division of Management Audit and
State Financial Services
Office of the State Comptroller
123 William Street, 21st Floor
New York, New York 10038

Dear Mr. Houston:

Enclosed is the New York State Department of Environmental Conservation's response to the Office of the State Comptroller's Draft Audit Report 2001-S-37, entitled "State Agency and Authority Advertising Practices."

Thank you for the opportunity to comment.

Sincerely,


Erin M. Crotty

Enclosure

**DEPARTMENT OF ENVIRONMENTAL CONSERVATION
RESPONSE TO THE OFFICE OF STATE COMPTROLLER'S
DRAFT AUDIT REPORT 2001-S-37:
STATE AGENCY AND AUTHORITY ADVERTISING
PRACTICES**

We have reviewed the Draft Audit Report (Report) in the above matter and here offer our response to those findings and recommendations that pertain to the New York State Department of Environmental Conservation (Department). We comment on those findings with which we disagree or believe that additional information or explanation are necessary. We then respond to the Report's **Recommendation #2** which is addressed "To State Agencies and Public Authorities."

The second paragraph on page 12 of the Report states that, "DEC officials provided us with no formal marketing plans or analysis of marketing results." This does not accurately portray the information that was provided nor the manner in which it was requested. Department staff met with the Comptroller's audit team, described our formal marketing plans, and explained in some detail how they are developed.

Similarly, Department staff provided the audit team with our analysis of marketing results. For example, we determined that promotion and advertising of our Belleayre Mountain Ski Center increased revenues by 38% and 32%, respectively, over the last two years. Some of our competitors' revenues had increased by an average of only 8% during the same period. Staff described to the audit team how the Department tracked ticket sales of different types and tracked sales by different methods. We described how we track the regions from which our patrons travel in order to determine the effectiveness of our advertising in different venues.

The Report appears to contradict itself in this regard when it points out that the Department has contracted with an advertising agency to develop marketing plans and to analyze marketing results. We agree with the Report where it states that, "Advertising expenditures should be based on detailed marketing plans" and there should be "measurable results (that) the advertising is expected to achieve ..." We believe that this Department is conducting its business in a manner consistent with these principles.

However, it is difficult to decipher just how extensive the audit team believes the detail should be in these “detailed marketing plans.” Similarly, it is difficult to determine how extensive the “actual performance data” needs to be (in their opinion) in order to “evaluate which methods produce the best results...” The Department’s Belleayre Mountain Ski Center has an advertising budget of \$186,000 while its two closest competitors have advertising budgets of over \$1 million each. When advertising resources are limited, there should be a corresponding limit to the amount of detail contained in, and the resources devoted to, the development of the marketing plan. Likewise, the measuring of that plan’s performance should be kept simple and achievable. It makes no sense to do otherwise. The level of effort that appears to be expected by the terms of the Report could consume the Department’s entire advertising budget before we even have any results to measure.

Indeed, the Report implies that the Department should use its resources to actually implement multiple promotional methods for the purpose of being able to compare and contrast which ones work best in any given market. We believe that the Department has taken a more rational approach. The Department has determined that it would be better to retain the advice and assistance of experts in this field who already have knowledge as to which promotional methods will best accomplish our objectives.

RESPONSE TO THE RECOMMENDATION

Recommendation:

Develop and use marketing plans for advertising programs and measure the effectiveness of those programs in achieving stated performance goals.

Department Response:

We agree with this recommendation. As explained above, we believe that the Department is already conducting its business in a manner consistent with this recommendation.



State of New York Mortgage Agency

641 Lexington Avenue, New York, NY 10022
(212) 688-4000 • Fax: (212) 872-0789

JOSEPH STRASBURG
Chairman

STEPHEN J. HUNT
President/CEO

VIA AIRBORNE EXPRESS & FAX - 518/473-6012

January 2, 2002

Mr. Joel Biederman
Principal Auditor
Division of Management Audit and State Financial Services
A.E.Smith State Office Building
Albany, New York 12236

Dear Mr. Biederman:

The State of New York Mortgage Agency (“SONYMA”) has been provided with a draft copy of a report (the “Report”) by the New York State Comptroller titled “State Agency and Authority Advertising Practices”. The Report contains the result of an audit conducted by the Division of Management and State Financial Services (the “Division”) of the Office of the New York State Comptroller. The audit examined and audited the advertising expenditures for the period April 1, 2000 through June 30, 2001 at four State agencies and five public authorities, including SONYMA.

The Report recommends, at page 13 thereof, that State Agencies and Public Authorities, “develop and use marketing plans for advertising programs.” This recommendation does not apply to SONYMA since, as the Report notes, SONYMA has a marketing plan which it uses in connection with its advertising program.

The Report also recommends, at page 13 thereof, that State Agencies and Public Authorities, “measure the effectiveness of those programs in achieving stated performance goals.” SONYMA does not attempt to directly correlate its advertising expenditures with its mortgage loan acquisitions figures since, as noted below, mortgage loan activity at any given period of time is a function of a number of variables largely unrelated to advertising usage. Nevertheless, SONYMA does actively monitor the effectiveness of its advertising as more fully set forth below, and does attempt to at least keep a tally of how advertising figures compare to mortgage activity (keeping in mind that the result of this comparison is affected by other factors).

SONYMA has a telecommunications room which is staffed on a continuous basis by personnel familiar with all SONYMA programs. Our toll free number is prominently featured in all its advertising media. On a monthly basis, SONYMA tracks all calls made to its telecommunications room, and generates internal reports which break-down the calls received by region, and reference the media which provided the caller with the number of the telecommunications room.

SONYMA also has an Internet Web Site which is also prominently identified in its advertising materials. Use by the public of SONYMA's Web Site has been extensive. On a monthly basis, SONYMA's Information Technology Department tracks all traffic into SONYMA's Web Site, and provides a report to the External Communications Department.

Additionally, SONYMA's Single Family Department maintains continuous monitoring of mortgage acquisition figures, which are periodically compared to advertising expenditures and to the periods during which new advertising initiatives are commenced to gauge a correlation between advertising and mortgage acquisitions. As noted above, due to the fact that the attractiveness of SONYMA's mortgage products is very interest rate sensitive, and to the fact that a number of different factors affect home buying activity at any one time, it is difficult to reach definitive conclusions as to the effectiveness of advertising activity by comparing public interest to mortgage activity.

In accordance with the foregoing, SONYMA hereby acknowledges receipt of the draft Report, and advises the Division that we are in receipt of their draft and have considered the advice given. However, we do not feel that the advice is applicable to SONYMA inasmuch as SONYMA both has a marketing plan and measures the effectiveness of its advertising programs, subject to the limitations discussed above.

Very truly yours,



Ralph J. Madalena
Senior Vice President
Chief Financial Officer