
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Follow-Up Audit of Center City Development and Operations
Hemisfair Park Redevelopment Corporation Contract Monitoring

Project No. AU18-F02

November 15, 2018

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the recommendations made in the Center City Development and Operations Department (CCDO) Hemisfair Park Area Redevelopment Corporation (HPARC) Contract Monitoring audit dated March 1, 2017. The objective for this follow-up audit is:

Determine if audit recommendations made in the prior audit of HPARC Contract Monitoring have been successfully implemented and working as intended.

We determined that Center City Development and Operations Department (CCDO) has successfully implemented adequate controls to address prior audit recommendations.

There were two recommendations made in the prior audit and both have been implemented. CCDO has imposed insurance requirements and received relevant insurance certificates from all HPARC contractors. Additionally, they have implemented additional reporting requirements that include monthly status reports of HPARC's budget vs. actual and balance sheet. Finally, CCDO entered into a contract with an external auditing firm to perform semi-annual on-site monitoring visits to test compliance with contract terms, ensure the accuracy of any reports provided to the City, test the efficiency of internal controls, and ensure HPARC is meeting its goals.

Management's acknowledgment is in Appendix B on page 6.

Table of Contents

Executive Summary	i
Background.....	1
Audit Scope and Methodology	2
Prior Audit Recommendations and Status	3
A. Contract Requirements	3
B. Oversight of HPARC	4
Appendix A – Staff Acknowledgement	5
Appendix B – Management Acknowledgment	6

Background

In March 1, 2017, the Office of the City Auditor completed an audit of the Center City Development and Operations Department (CCDO) Hemisfair Park Area Redevelopment Corporation (HPARC) Contract Monitoring. The objective of the audit was as follows:

Determine if controls are in place for the monitoring of the Hemisfair Park Area Redevelopment Corporation contract.

The Office of the City Auditor concluded that while controls are in place for the monitoring of the HPARC contracts, monitoring should be improved and the terms of the HPARC contracts need to be strengthened. We noted that the terms in the agreements do not ensure HPARC's contractors have adequate insurance, and did not impose requirements on HPARC to ensure it has an effective system of internal controls. Additionally, CCDO did not have input into the existing agreements with HPARC, as they have been developed by the City Manager's Office.

CCDO management agreed with the conclusions and developed action plans to address the audit recommendations.

Audit Scope and Methodology

The audit scope was limited to the recommendations and corrective action plans made in the original report for the time frame from March 2017 to August 2018.

We interviewed CCDO personnel to gain a detailed understanding of the action plans that have been implemented for the findings from the prior audit.

We obtained sufficient documentation to determine if insurance requirements are imposed on all contractors providing services to HPARC. We reviewed policies and procedures to determine if HPARC has developed guidelines on asset management and allowable expenditures. Additionally, we obtained monthly financial reports, email correspondence, and external on-site review reports to determine if there is appropriate oversight over HPARC.

We conducted this performance audit 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Prior Audit Recommendations and Status

A. Contract Requirements

Prior Recommendation(s):

The CCDO Director and the City Manager's Office should ensure that future funding agreements:

- Impose insurance requirements, as approved by Risk Management, on all contractors of HPARC, regardless of the source of funds. Also require copies of the relevant insurance certificates to be provided to the CCDO contract monitor.
- Include additional reporting requirements, such as a monthly status report that includes HPARC's budget vs. actual, summary of expenditures, and/or other information the CCDO contract monitor needs to assess HPARC's progress and compliance with contracts.

CCDO should also ensure that HPARC strengthens its internal controls over expenditures and assets by: 1) Specifying in detail what constitutes unallowable expenditures and, 2) tracking assets that meet the definition of capitalized assets even though they may not meet the monetary capitalization threshold.

Status: Implemented

CCDO imposes insurance requirements on all HPARC contractors and copies of all current insurance certificates are included as a part of HPARC's semi-annual funding disbursement requests.

Additionally, CCDO receives monthly financial reports from HPARC. We obtained the balance sheet and income statement for the months of May, June, and July of 2018 and validated that they contained budgeted and actual figures as well as a summary of expenditures.

Finally, HPARC developed and implemented policies and procedures to provide guidance on the treatment of assets and allowable expenditures. We obtained these policies and procedures and validated that they provided direction on the tracking and disposal of assets as well as specify what constitutes allowable or reimbursable expenditures in the course of business.

Recommendation

None

B. Oversight of HPARC

Prior Recommendation:

The CCDO Director should ensure that:

- Periodic on-site monitoring visits are conducted to test compliance with significant contract terms, ensure the accuracy of reports provided to the City, test the efficacy of internal controls, and ensure HPARC is meeting its goals.
- The contract monitor has direct access to HPARC personnel for gathering information related to HPARC's compliance with contractual terms.

Status: Implemented

CCDO entered into a professional services agreement with the CPA firm Britts & Associates, LLP to perform semi-annual on-site monitoring visits of HPARC. The scope of these services is to test the propriety of assets, expenditures, monthly financial reports, and insurance as well as the existence of respective policies and procedures for these areas. In addition, they will ensure that all required documentation has been provided to CCDO personnel to include the monthly financial statements and most recent insurance certificates. We obtained reports from the two finalized on-site reviews performed by Britts & Associates, LLP and validated that all agreed upon procedures had been performed and no significant issues were identified.

The CCDO contract monitor has direct access to HPARC personnel. We obtained correspondence between the CCDO contract monitor and HPARC personnel and validated that there was sufficient access to HPARC personnel to obtain any information needed to assess compliance with contract terms.

Recommendations

None

Appendix A – Staff Acknowledgement

Gabe Trevino, CISA, Audit Manager
Daniel Kuntzelman, CIA, Auditor in Charge

Appendix B – Management Acknowledgment



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

November 5, 2018

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgment of its Review of the Center City Development and Operations Department Hemisfair Park Redevelopment Corporation (HPARC) Contract Monitoring Follow-Up Audit

Center City Development and Operations Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Center City Development and Operations Department:

☒ Fully Agrees

☐ Do Not Agree (provide detailed comments)

Sincerely,



John Jacks
Director
Center City Development and Operations

11-5-18
Date



Lori Houston
Assistant City Manager
City Manager's Office

11-7-18
Date