



City of San Antonio

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Title: Centro Audit Plan [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer, Finance]

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CITY OF SAN ANTONIO FINANCE DEPARTMENT Interdepartmental Correspondence

TO: Sheryl Sculley, City Manager

FROM: Troy Elliott, CPA, Deputy Chief Financial Officer, Finance Department

COPIES: Audit and Accountability Committee; Ben Gorzell, Jr., CPA, Chief Financial Officer; Kevin Barthold, City Auditor

SUBJECT: Centro Audit Plan

DATE: December 5, 2017

This memo addresses the direction provided by the City Manager to the Finance Department to engage an independent audit firm to audit the Downtown Public Improvement District (PID) managed by Centro San Antonio (Centro). Centro is a public-private partnership that was created in 2010 to assist in the redevelopment of San Antonio's downtown. It is a non-profit corporation governed by a separate Board of Directors and is not a component unit of the City of San Antonio for financial reporting purposes.

A PID is a mechanism that permits the City of San Antonio ("City") to levy an assessment on property owners within specified boundaries. PID funds may then be used to provide services which are supplemental to those provided by the City. Supplemental services include streetscaping, beautification, maintenance and ambassadors. The PID was created in 1999. The current contract has a ten year term beginning on October 1, 2013 with an expiration of September 30, 2023. Through this contract, the City reimburses Centro for the services provided within the PID upon receipt of invoices for those services.

The Board of Centro recently uncovered that a former Centro staff member may have embezzled funds from the organization and orchestrated a fraudulent audit report and presentation. Centro has engaged an accounting firm to perform a forensic accounting investigation to review for any financial discrepancies. This analysis has to date identified that as much as \$175,000 had been embezzled over the past two years. It appears that these stolen funds were isolated to the Centro San Antonio funds collected from private sources, and not the (PID). However, this forensic investigation continues. The San Antonio Police Department is also conducting a criminal investigation.

Under the City's agreement with Centro, the City has the right to audit the books and records of Centro as it relates to the PID. As a result of this discovery and pursuant to the terms of the contract with Centro, the City's Finance Department has engaged Grant Thornton, the City's external financial audit firm to perform this work. Upon completion, the results of the audit will be presented to the Audit and Accountability City Council Subcommittee.