



# City of San Antonio

## Agenda Memorandum

**File Number:**17-5176

**Agenda Item Number:** 4.

**Agenda Date:** 9/19/2017

**In Control:** Audit and Accountability Committee

### AUDIT COMMITTEE SUMMARY

**September 19, 2017**

**Audit of CCDO Department**

**Property Management of La Villita and Market Square**

**Report Issued June 13, 2017**

### Objective

Determine if City leases at Market Square and La Villita are properly managed.

### Background

CCDO's Leasing and Asset Management Division is responsible for the operation and maintenance of city owned real estate and special event venues. CCDO contract coordinators are responsible for managing new lease acquisitions and renewals of the real estate properties. Their duties include invoicing tenants, receiving payments, and confirming tenants' compliance with contract terms.

La Villita Historic Art Village and Market Square are two locations managed by CCDO. Both locations are comprised of city owned retail shops, art galleries and restaurants that are leased to tenants under revenue generating lease agreements.

Revenue consists of rent based on square footage, common area maintenance fees, and utilities fees. The following table illustrates budgeted and actual revenue received in FY2016 and the proposed revenue for FY2017.

Lease Revenue for La Villita and Market Square	FY2016 Budget	FY2016 Actuals	FY2017 Budget
El Mercado Leases	\$ 638,176.00	\$ 596,123.53	\$ 539,097.00
Farmers Market Leases	731,816.00	736,520.61	750,074.00
Patio Space Leases (Market Square)	174,788.00	166,823.26	168,940.00
La Villita Leases	449,249.00	485,842.28	452,468.00
<b>Total Revenue</b>	<b>\$1,994,029.00</b>	<b>\$1,985,309.68</b>	<b>\$1,910,579.00</b>

Source: SAP

### Audit Scope & Methodology

The audit scope included review of key terms identified in the lease agreements for properties at La Villita and Market Square, contract administration plans, tenant files, and city administrative directives. Our audit period was October 1, 2015 through September 30, 2016.

Our methodology consisted of conducting interviews and walkthroughs with key personnel from the CCDO Department. We also reviewed tenant invoices for monthly rent and utilities, and other key documents such as related City Administrative Directives.

## **Audit Conclusions**

Overall, CCDO has adequate controls in place for the effective management of property leases located at Market Square and La Villita. Controls are working as expected to ensure tenants' compliance with required operating hours and permitted and prohibited uses of the property as stated in the lease agreements. However, we did note the following areas where CCDO should improve administrative processes:

- Standard processes and controls for collection efforts do not exist to ensure compliance with related lease agreement terms and City Administrative Directives.
- Improper segregation of duties exist due to inappropriate access granted to users within the SAP application.

Center City Development and Operations Management agreed with the audit findings and has developed positive action plans to address them.