



City of San Antonio

Agenda Memorandum

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In Control: Audit and Accountability Committee

**CITY OF SAN ANTONIO
FINANCE DEPARTMENT
Interdepartmental Correspondence**

TO: Sheryl Sculley, City Manager

FROM: Ben Gorzell Jr., CPA, Chief Financial Officer

COPIES: Audit and Accountability Committee; Kevin Barthold, City Auditor

SUBJECT: Centro Update

DATE: September 18, 2018

A Public Improvement District (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 items such as streetscaping, beautification, maintenance and ambassadors.

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.

The Downtown PID was created in 1999. The City contracts with Centro to provide the supplemental services. Through this contract, the City reimburses Centro for the services provided within the PID upon receipt of supporting documentation for those services. The current contract has a ten year term beginning on October 1, 2013 with an expiration of September 30, 2023.

In November 2017, the Board of Centro uncovered that a former Centro staff member had embezzled funds from the organization and orchestrated a fraudulent audit report and presentation. In response to the embezzlement, both the City and Centro engaged firms to conduct independent reviews. The City hired KPMG and Centro RSM.

Staff briefed the Committee on January 16 and March 20, 2018. In the March meeting, the two firms reported

the results of their investigation.

KPMG reported that they found no evidence of fraud in the PID. Further, KPMG was engaged to work with Staff to review the PID reimbursement packages. They identified no monetary diversion, but observed missing supporting document in each reimbursement package. KPMG recommended automation and streamline to ensure completeness and accuracy.

Since the briefing in March, the City and Centro have worked on implementing process improvements and strengthening controls at Centro. This item will be a staff briefing to the Audit and Accountability Committee to detail the improvements and proposed contract changes. Both the amended contract and the Service and Assessment Plan are scheduled for consideration by the full Council on September 20th.