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INFORMATIONAL REPORT TO COUNCIL

SUBJECT

Informational Report on the Status of Tourism Improvement District Financial Audit

BACKGROUND

On May 22, 2018, Council provided direction to staff to begin an audit of the Convention Center and Convention-Visitors Bureau (CVB). On June 5, an Agreement was executed with TAP International and audit work commenced immediately.

On August 21, 2018, I advised the Council that the auditor determined that the ongoing audit of the Convention Center and CVB revealed that the operation and funding of the Tourism Improvement District (TID) was interwoven in the financial and operational structure of the Convention Center and CVB. Accordingly, in order to thoroughly complete the audit, staff stated that we would request an augmentation of the TAP International contract to include a financial audit of the TID.

As provided in the Agreement, the TID audit objectives include:

- 1) Have the hotels participating in the TID accurately remitted TID revenue to the City for FY 15/16 and FY 16/17?
- 2) Are the expenses of the TID consistent with TID bylaws and policies since FY12/13?
- 3) What is the nature and extent of any outstanding bills and payables, if any, that have not yet been recorded in the TID’s financial system.

My report to Council advised that in order to respond to these objectives, the auditor would need to undertake several key activities including: collection of room night data from each of the TID participating hotels; review of the accuracy of the room night data reported; verification of the accuracy of the TID fees remitted to the city; review of the TID’s general ledger for the past 5 years; review of the TID check registers; and collection and review of bills and other payables schedule to be paid.

The targeted completion of work was identified as September 2018 with a presentation to Council on the findings of the TID financial audit in October. However, staff and TAP are having difficulty securing all the requisite public records to complete this audit.

DISCUSSION

In preparation for the August 28 City Council consideration of the TID audit action, staff sent the auditor's request for documents to the Chamber of Commerce to allow advanced preparation with a requested time of delivery of Thursday/Friday for that week. The information request included:

Financial Documentation: The 5 most recent years of the following

- Audited Financials, including management letters
- Adopted Budget
- General Ledger transactions by fiscal year
- Check Register by fiscal year
- Vendor Register by fiscal year
- Full access to all TID financial records

Other Documentation

- List of past and current TID employees
- Copy of Financial Management Policies and Procedures
- Copy of Purchasing/Contracting Policies and Procedures
- Copies of any contracts or agreement entered into by the TID
- List of current board members and historic board members and terms
- Financial disclosure forms submitted by Board members and employees
- Conflict of interest forms submitted by Board members and employees
- List of all Consultants hired by the TID since its formation
- Identification of the General Manager in charge of TID operations

In response to the information request, Mr. Nick Kasper, CEO, Santa Clara Chamber of Commerce confirmed that he would provide the documents that he had. It is important to note that the TID funds are assessed by the City, as the authority under state law to levy the public assessment, and therefore the documents associated with all and any activities of the TID are a matter of public record for which documents should be readily available. It has been approximately 10 days and the Chamber of Commerce has not produced the required public documents for the auditor to complete the audit. As stated at the August 28, 2018 City Council meeting, it is for the auditor to determine how the absence of these document impairs her ability to complete the City Council directed audit.

Some of the requested information has been provided to the auditor but there is a large amount information missing - especially information that dates back more than one year. Staff continues to request updates on the requested data but, Chamber and TID representatives have advised that much of this information was kept by former CVB employees who are no longer employed by the Chamber and as such, current employees are researching records. These circumstances are extremely problematic as the TID Bylaws (attached) prescribes fiscal duties to the Chamber as an agent for the TID. Acting as a fiscal agent with management responsibilities for public funds, carries

a high level of responsibility for accurate accounting, record keeping, transparency and disclosure.

TAP International is scheduling an Opening Conference with the Chamber to formally request all the necessary data and records.

As discussed earlier in the report, our expectation was that the entire scope of audit would be completed in September with a report to Council of findings in October. I want to advise the Council that our continued inability to secure the requisite data will likely cause a delay in the delivery of the TID audit. A more serious matter however, is if public data is lost or unretrievable due to the loss of institutional knowledge at the Chamber and/or if records do not exist. I will keep the Council informed of our progress.

FISCAL IMPACT

There is no additional cost to the City other than staff time and expense. However, at the completion of the audit, there may be findings may have a fiscal impact to the City.

COORDINATION

This report has been coordinated with the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

Reviewed by: Ruth Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Tourism Improvement District Bylaws