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## **Santa Clara Terminates Chamber of Commerce's Contract for the Operations of the Santa Clara Convention Center and Prepared to Report Questionable Practices to State and Federal Authorities for Further Investigation**

*City begins its own internal reforms to address audit findings showing City's lack of contract oversight*

**SANTA CLARA, Calif.** – After the City Council took action this week to terminate the City's management agreement for the operations of the Santa Clara Convention Center (Convention Center), the City is now in the process of reporting questionable practices by the Santa Clara Chamber of Commerce to state and federal authorities for review of potential violations of law.

The City's swift actions were recommended by Principal Auditor Denise Callahan, TAP International, to the City Council as part of the independent [audit](#) of the Convention Center and Convention-Visitors Bureau under the Chamber's management.

The audit findings – which revealed the Chamber's serious financial mismanagement, questionable accounting practices, self-dealing, conflicts of interest and misuse of government resources as well as a lack of City contract oversight - were presented to the City Council at the Tuesday, Sept. 18 meeting. The audit's recommendations state:

- Further legal analysis is needed to determine if the Contractor (Chamber): (1) violated its 501(c)(6) tax exempt status when it provided full facility discounts to its members, and (2) engaged in self-dealing when it used its personal or organizational relationships to offer free use of publicly owned facilities, and allowed the Contractor's Board member to assume SCCC (Convention Center) services without implementing a competitive bid.
- Investigation is needed by the California Fair Political Practices Commission (FPPC) to determine if violation of state law occurred when the Contractor (Chamber) allowed the Santa Clara Chamber Political Action Committee to use SCCC (Convention Center) facilities free of rental charges."

In advance of the Oct. 9 Council meeting, the City fully intends to report these issues to the Internal Revenue Service (IRS) and the California Fair Political Practices Commission (FPPC) concerning the audit's findings. The City will share with the FPPC that the Chamber apparently allowed for the illegal use of public assets for its Political Action Committee by subsidizing the PAC's political fundraising activities and using CVB administrative resources to raise campaign funds and participate in political activity. Prior to notifying the IRS, the City's pulling in legal experts on 501(c)(6) designation for a thorough review of the \$2.8 million of full facility discounts and findings of board members' self-dealing activities, where their personal businesses profited by the improper use of public assets. Meantime, the City continues to assess what additional actions are necessary in alerting state and federal authorities regarding potential ethical lapses in the Chamber's mismanagement of the Convention Center.

This week, the City already held two sessions of a newly developed contracts training that's designed to assist staff in writing a more effective contracts. The training also provides direct procurement and contract management support. More training sessions will be rolled out to the entire organization. The City's procurement and contract reform efforts include:

- Adoption of overall administrative policies and purchasing training;
- Recent involvement in proper surplus property sales;
- Implementation of online bidding tool (*coming soon*) to enhance competitive bidding process and process improvement for vendors bidding on City services and equipment;
- Development of emergency operations procurement guidelines; and
- Hiring of a seasoned procurement manager to ensure best practices in public sector purchasing to increase transparency, maximize competition and equal treatment of all participants in bidding process.

Read the [Sept. 19 news release](#) about the audit. For additional background, visit the [City website](#).

#### **About the City of Santa Clara**

Located at the heart of Silicon Valley about 45 miles south of San Francisco, the City of Santa Clara truly is "The Center of What's Possible." Incorporated in 1852, Santa Clara covers an area of 19.3 square miles with a population of 120,000. Santa Clara is home to an extraordinary array of high-tech companies, including Applied Materials, Hewlett-Packard, Intel, Nvidia, Oracle, and Ericsson. The City of Santa Clara is also home to Santa Clara University, California's Great America Theme Park, and Levi's® Stadium, home of the San Francisco 49ers and Super Bowl 50. For more information, go to [www.SantaClaraCA.gov](http://www.SantaClaraCA.gov).

#### **About TAP International**

TAP International is a consulting firm that provides performance management evaluation has over 100 years of combined experience conducting performance audits. Principal Consultant [Denise Callahan](#) has an extensive auditing background and has performed performance audits of other convention centers, as well as compliance audits, internal audits and best practices reviews for federal, state and local government agencies. Ms. Callahan has been a lecturer at the University of San Francisco and the University of Southern California. She serves on the Audit Committee for the American Society for Public Administration and has won awards for the quality of completed performance audits.

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