AUDIT NOV 0 7 2011 #3

THE CITY OF SAN DIEGO

To: Ed Moreno/Principle/Auditor
From: Mike McSweeney/Stadium Manager
Subject: Responses to Audit Recommendations

Responses to Audit Recommendations

1. The outstanding 1996 taxable stadium bonds were successfully refunded in May 2011. The refunding was accomplished as a tax exempt financing at significantly lower interest rates As such, approximately $2.7 million was generated in debt service savings to the Stadium Fund in FY 2011. The average annual debt service savings from the refunding over the remaining 17 years will be approximately $1.2 million. Through the refunding, the outstanding bond principal is also reduced by $3.5 million to $51.2 million from the previous $54.7 million. The Stadium bonds are City obligations and need to continue to be paid from the Stadium Fund and General fund revenue. The bonds are to remain until 2026. Even if the Chargers terminate the stadium lease, the City needs to service the debt obligation. Any renegotiations with the Chargers will take into account the debt outstanding on the stadium and the best terms to address and pay down of the debt.

2. The City has analyzed all of the terms of the Charger contract and is compliant with all terms of that contract. Management believes that the stadium is compliant as well with the 2000 ADA settlement. Since this item involves ongoing litigation, the City Attorney has advised that additional discussion of this matter should be done in closed session.

3. The City is pursuing several options to increase the number of events. Qualcomm Stadium will join the GridIron Network. The GridIron network is comprised of 6 NFL stadium's that join together to attract stadium sized attractions to their facilities. While the assumption of risk is involved, the City will seek ways to alternatively secure the event(s)
   In the FY2013 budget process, the stadium will request that a Full Time Marketing/Event sales person be added to stadium staff to generate additional events for both the building and the parking lot. The Stadium works regularly with San Diego ConVis to seek out events. They help identify events that would match up with the stadium and surrounding hotels.

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DIVERSITY

Stadium staff regularly converses with the leading entertainment companies in the world to bid on upcoming stadium tours. Most recently, bids were accepted by a major concert promoter for 2 touring stadium acts. The acts decided not to play San Diego for economic reasons, but the bids for cost of the stadium were accepted.

4. AECOM delivered a comprehensive Business Plan and Facility Assessment to the Cityin April, 2011. This plan was presented to and reviewed by the Audit Committee on *June* 6th . The Facility Assessment portion of the plan contained a list of maintenance and capital improvement projects and provided a schedule of when these project should be undertaken. One element requested in the Auditor's Recommendation was a capital projects prioritization schedule.

5. Stadium Staff is working with the City's Business Office to create policies for retention of stadium files. The SAP program, launched after the audit was performed will regulate timely billings and all stadium *accounts*. The Comptroller's office issues a monthly report regarding on time payments and billing matters. Goal is a 93% completion rate. The stadium receives high marks from the comptroller office in that regard.

6. Stadium Staff and the Revenue Audit Mgr. will have collaborated on the following revenue audits: Centerplate/Feb. 2011, Chargers/Feb. 2012, Ace parking/Nov. 2011, Aztecs and San Diego Bowl Game Association will be done FY 12 Q3.

7. The Comptrollers confirms the following accounts receivable process for monitoring overdue accounts: A standard invoice is automatically referred to Collections once 30 days past the due date via an "interface file". It is then assigned to any one of the investigators. There is also a business process narrative on "Referrals to Collection" which we believe has been distributed. This will speak directly to the process. Stadium staff never does any direct referral to Collections. Stadium Staff is made aware of an invoice in Collections via an e-mail from the investigator regarding the status and later to provide back up data.

Open Audit Recommendations by Audit and Responding Department

Audit #	Audit Report Title	Department	Issue Date	Audit Recommendations: Total # of Rec	Completed by Mgmt	% Reported Complete	Past Due	% Past Due
08-019	CASH COUNT AND BANK RECONCILIATION AUDIT - KROLL REMEDIATION OF THE CITY'S BANK RECONCILIATION PROCESS	City Treasurer	4/28/2008	6	5	83%	0	0%
08-020	AUDIT OF PERMITS ISSUED FOR THE BLACKWATER FACILITY	Developmental Services	6/5/2008	8	7	88%	0	0%
09-001	AUDIT OF THE INTERNAL CONTROL REMEDIATION RELATED TO THE SAN DIEGO CITY EMPLOYEES RETIREMENT SYSTEM	San Diego City Employees' Retirement System (SDCER	8/29/2008	6	5	83%	1	17%
09-013	THE CITY OF SAN DIEGO FACES UNIQUE OPERATIONAL AND ADMINISTRATIVE CHALLENGES IN MANAGING QUALCOMM STADIUM	Real Estate Assets Department	5/8/2009	9	2	22%	7	78%
09-015	AUDIT OF THE SAN DIEGO PUBLIC LIBRARY CASH HANDLING (CONFIDENTIAL)	San Diego Public Library	11/21/2008	18	9	50%	9	50%
09-016	AUDIT OF ACCOUNTS OF WENDI BRICK, FORMER CUSTOMER SERVICES DIRECTOR, ELMER HEAP, FORMER DEPUTY CHIEF OPERATING OFFICER, JILLANNE (JILL) OLEN, FORMER DEPUTY CHIEF OPERATING OFFICER, AND JOANNE SAWYERKNOLL, FORMER DEPUTY CHIEF OPERATING OFFICER	Personnel	6/16/2009	3	3	100%	0	0%
09-017	PARK & RECREATION POOL AUDIT	Parks & Recreation	5/20/2009	17	15	88%	0	0%
09-028	SINGLE AUDIT	Comptroller's Office	12/21/2009	14	0	0%	0	0%
09-030	TRANSNET FUND	Comptroller's Office	2/1/2010	1	1	100%	0	0%
09-031	EXHIBIT E	Metro Wastewater (MWWD-DM)	2/10/2010	1	1	100%	0	0%
09-OA-001	SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION PERFORMANCE AUDIT OF OPERATIONS	Southeast Economic Development Corporation (SEDC)	9/10/2008	33	33	100%	0	0%
10-001	METROPOLITAN WASTEWATER DEPARTMENT CONTRACT COMPLIANCE AUDIT	Metro Wastewater (MWWD-DM)	7/24/2009	12	12	100%	0	0%
10-002	PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART I	San Diego Housing Commission (SDHC)	7/29/2009	19	14	74%	3	16%
10-003	PERFORMANCE AUDIT OF THE SAN DIEGO HOUSING COMMISSION – PART II	San Diego Housing Commission (SDHC)	7/29/2009	12	5	42%	7	58%
10-007	PERFORMANCE AUDIT OF THE CITY'S STREET MAINTENANCE FUNCTIONS	Transportation and Storm Water Department (TSWD)	10/26/2009	4	4	100%	0	0%
10-008	HOTLINE INVESTIGATION OF A CITY COMPTROLLER EMPLOYEE	Risk Management	11/23/2009	2	1	50%	1	50%
10-009	SAN DIEGO DATA PROCESSING CORPORATION FOLLOW-UP AUDIT	San Diego Data Processing Corporation (SDDPC)	11/30/2009	16	12	75%	1	6%
10-010	PERFORMANCE AUDIT OF THE CITY TREASURER DELINQUENT ACCOUNTS PROGRAM	Developmental Services	12/2/2009	14	5	36%	7	50%
10-016	CITYWIDE REVENUE	City Treasurer	3/5/2010	23	19	83%	4	17%
10-018	PERFORMANCE AUDIT OF THE PURCHASING AND CONTRACTING DEPARTMENT	Purchasing & Contracting (HP)	3/30/2010	6	4	67%	2	33%
10-019	PERFORMANCE AUDIT OF THE SUBCONTRACTOR OUTREACH PROGRAM	Administration Department	4/30/2010	13	11	85%	2	15%
10-020	PERFORMANCE AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT'S COLLECTION OF WATER AND SEWER FEES	Developmental Services	6/22/2010	7	2	29%	5	71%
10-OA-003	REVIEW OF THE HIRING PROCESS OF THE DIRECTOR OF PURCHASING AND CONTRACTING	Labor Relations	8/21/2009	5	3	60%	2	40%
11-001	PERFORMANCE AUDIT OF RISK MANAGEMENT'S PUBLIC LIABILITY AND LOSS RECOVERY DIVISION	Risk Management	8/31/2010	23	14	61%	1	4%
11-006	PERFORMANCE AUDIT OF THE FIRE PREVENTION ACTIVITIES WITHIN THE CITY OF SAN DIEGO	Fire-Rescue	10/6/2010	23	15	65%	4	17%
11-007	PERFORMANCE AUDIT OF CITY TREASURER'S DELIQUENT ACCOUNTS PROGRAM	City Treasurer	10/25/2010	7	5	71%	0	0%
11-009	PERFORMANCE AUDIT OF STREET MAINTENANCE	Transportation and Storm Water Department (TSWD)	11/29/2010	14	4	29%	0	0%
11-011	AUDIT OF THE ENTERPRISE RESOURCE PLANNING SYSTEM IMPLEMENTATION	ERP Development Team	1/31/2011	6	4	67%	0	0%
11-013	FOLLOW-UP AUDIT OF THE DEVELOPMENT SERVICES DEPARTMENT'S COLLECTION OF WATER AND SEWER FEES	Developmental Services	2/28/2011	2	1	50%	1	50%
11-017	PERFORMANCE AUDIT OF FIRE-RESCUE'S EMERGENCY MEDICAL SERVICES	Administration Department	4/25/2011	11	8	73%	0	0%
11-020	PERFORMANCE AUDIT OF THE PARKING ADMINISTRATION PROGRAM	City Treasurer	5/3/2011	13	4	31%	0	0%
11-023	HOTLINE INVESTIGATION REPORT OF EMPLOYEE MALFEASANCE	Environmental Services Department	6/17/2011	2	2	100%	0	0%
11-024	PERFORMANCE AUDIT OF THE ANIMAL SERVICES AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND THE COUNTY OF SAN DIEGO	Business Office	6/24/2011	10	8	80%	1	10%
11-026	PEFORMANCE AUDIT OF THE TAKE-HOME USE OF CITY VEHICLES	Police & Fire Departments	6/29/2011	15	0	0%	1	7%
11-027	CAPITAL IMPROVEMENT PROGRAM	Public Works	6/29/2011	24	6	25%	2	8%

Management Uncompleted Audit Recommendations

Rec No	Issue Date	Auditor Recommendation	Management Response	Department	Complete (Yes/No)	Response Owner	Response Due Date	Adjusted Due Date
1	5/8/2009	The Administration should proactively create a financing plan to pay down the City's Stadium Renovation Bond obligation regardless of the Chargers' tenancy at the Stadium. The plan should detail the financial strategy that the City will follow to maintain the solvency of the Stadium Fund should the Chargers terminate its agreement with the City after 2010. The Administration should continuously update the financing plan throughout the liquidation of the Stadium Renovation Bond principal	Agree. The City acknowledges its responsibility to ensure that the Stadium Renovation Bond obligations are met, irrespective of the status of the Chargers, and will evaluate both a long-term and short-term financing plan. The City will not, however, accelerate its payment of debt service if these payments reduce the financial obligations of the Chargers should the Chargers to decide to exercise its option to vacate Qualcomm Stadium and to the detriment of City services. The City will continue to plan for making the required payments and keeping Qualcomm Stadium solvent	Real Estate Assets Department	No	Mike McSweeney	6/1/2010	
2	5/8/2009	In order to avoid significant legal settlements in the future, the City should continue to ensure that it meet its obligation to provide the Stadium to the Chargers per the terms of its current agreement. To minimize the legal and financial risks involved with managing the Stadium, the Stadium should perform a comprehensive analysis of its compliance with the key terms of the City's agreement with the Chargers and with the 2000 ADA compliance settlement. If the results of the analysis are unfavorable for the City, the City should take steps to aggressively abate the risks of non-compliance with ADA requirements and Chargers agreement terms	Agree. The City has analyzed all of the terms of the Charger contract and is currently in compliance with all terms of that contract and will continue to do so in the future. Likewise, management believes that the stadium is now compliant with the 2000 ADA compliance settlement. The final determination of this will occur during a walkthrough of the stadium by the plaintiff's attorney who will verify that the terms of the settlement have been met. If any discrepancies are found during the walkthrough, they will be remedied as quickly as possible	Real Estate Assets Department	No	Mike McSweeney	6/1/2010	

Management Uncompleted Audit Recommendations

Rec No	Issue Date	Auditor Recommendation	Management Response	Department	Complete (Yes/No)	Response Owner	Response Due Date	Adjusted Due Date
3	5/8/2009	To decrease its dependence on TOT tax funding, the Stadium should aggressively pursue agreements with legitimate event producers to help offset its operational costs and the City's outstanding Stadium Renovation Bond principal	Agree. This is already being done by Stadium Staff. Their efforts to generate additional business include regularly interfacing with other stadiums to compare business strategies with common tenants. They also gathers-up-to-date market information from industry insiders on events, gross sales, actual tickets sold, percentage of seats sold and other important information regarding events at other stadiums. This information helps stadium management to determine who is in the market and their potential to generate revenue. Staff also obtains information from professional organizations such as the International Association of Assembly Managers and the Stadium Managers Association that provide a wealth a wealth of information related to the stadium industry. These organizations have volumes of industry surveys from which to gather data	Real Estate Assets Department	No	Mike McSweeney	5/8/2009	

Management Uncompleted Audit Recommendations

Rec No	Issue Date	Auditor Recommendation	Management Response	Department	Complete (Yes/No)	Response Owner	Response Due Date	Adjusted Due Date
4	5/8/2009	Stadium management should create a comprehensive business and marketing plan for the Stadium that addresses the following issues: a. Strengths, opportunities, weaknesses, and threats that face the Stadium in both the short and long-term, as well as provide benchmarks for the financial and operational performance of the Stadium over the next three to five years. b. An analysis of major agreements and responsibilities that the Stadium is required to provide. c. A strategic plan for the amounts and types of events the Stadium will be hosting in the future including estimates of the revenues and expenses attributable to each event. d. A capital projects prioritization schedule that the Stadium can follow while determining the use of the Stadium's annual capital improvement budget. The schedule should be reviewed by the Stadium Advisory Board, approved by the Mayor, and presented to the City Council on an annual basis	Agree. A business plan can be a useful document to plan and track performance of Stadium operations, as well as set a direction for the Stadium in the future. Stadium management will work with the City's Business Office to prepare a business and marketing plan for the Stadium and present it to the mayor and City Council within the next six to nine months. The development of this Plan will incorporate the input from stakeholders and the public. It may be advisable to prepare plans for various contingencies, each anticipating a different period of occupancy by the Chargers. As noted earlier, there are a very limited number of events that require a stadium venue, but the availability of the stadium, as well as the restrictions placed on it under the current Chargers contract, are factors that will affect any business opportunities. It should be noted that projected that projected revenues and expenses and proposed capital improvements are currently submitted to Council for approval as part of the annual budget process	Real Estate Assets Department	No	Mike McSweeney	6/1/2010	

Management Uncompleted Audit Recommendations

Rec No	Issue Date	Auditor Recommendation	Management Response	Department	Complete (Yes/No)	Response Owner	Response Due Date	Adjusted Due Date
5	5/8/2009	To help alleviate the effects of administrative staff turnover at the Stadium, Stadium management should create a policy and procedure manual specific to Stadium operations. At a minimum, the Stadium should ensure that unique policies and procedures are established for the following administrative functions: a. Policies for the creation, content, retention, and approval of Stadium event files. b. Procedures that ensure accurate and timely billings for stadium events and periodic reconciliations of all accounts within the Stadium Fund	Agree. Stadium management will work the Personnel and Human Relations departments to produce a manual incorporating best practices and administrative procedures for stadium operations. The production of this document is expected to be completed by the end of calendar year 2009	Real Estate Assets Department	No	Mike McSweeney	6/1/2010	
6	5/8/2009	In order to avoid delays and inaccuracies of the revenue amounts collected on behalf of the Stadium by the City Treasurer, Stadium Management should request that the City Treasurer's Revenue Audit Divisions complete audits of major Stadium tenants on a timelier basis. If the City Treasurer does not have sufficient Staff resources to perform these audits on a timelier basis, the Stadium Management should consider having its own staff responsible for ensuring all Stadium revenues are properly billed and received	Agree. City Treasurer's Revenue Audit Division completes audits timely and in accordance with individual tenant agreements. To date, no Stadium revenue has been lost to the City due to the timing of revenue audits. Stadium staff Is currently responsible for billing and will work with the Treasurer's Office to develop interim procedures to monitor revenue; ensuring amounts paid appear reasonable and are paid timely	Real Estate Assets Department	No	Mike McSweeney	9/30/2009	12/3/2010

Management Uncompleted Audit Recommendations

Rec No	Issue Date	Auditor Recommendation	Management Response	Department	Complete (Yes/No)	Response Owner	Response Due Date	Adjusted Due Date
7	5/8/2009	Stadium management should review the accounts receivable balance within the Stadium Fund and work with the City Treasurer's Office to ensure that all overdue accounts are being actively collected	Agree. Stadium staff reviews aging invoices on a monthly basis, while invoices are referred to Treasurer's Collections automatically 10 days after the due date on any outstanding balance. Once invoices are referred, Stadium staff provide necessary documentation to Treasurer's Collections to ensure that collection efforts can continue to move forward. Ace parking has provided a plan to resolve its late-payment issue	Real Estate Assets Department	No	Mike McSweeney	9/30/2009	12/3/2010
09-017		**PARK & RECREATION POOL AUDIT**						
1	5/20/2009	Include Carmel Valley and Tierrasanta pools in the on-line payment pilot program proposed for fiscal year 2010	The Department concurs with this recommendation. The Department requested and received funding in the Mayor's Proposed FY10 Budget	Parks & Recreation	No	Isabel Vargas	12/31/2010	12/31/2011
2	5/20/2009	Continue to pursue online payment and automated patron registration for all city pools	The Department concurs with this recommendation. The Department requested and received funding in the Mayor's Proposed FY10 Budget	Parks & Recreation	No	Isabel Vargas	12/31/2010	12/31/2011
09-028		**SINGLE AUDIT**						