

Office of the City Auditor



Performance Audit of the Centre City Development Corporation

February 23, 2009
San Diego City Council Audit Committee



Scope & Objectives

- Evaluate the adequacy, appropriateness, and achievement of CCDC's goals and performance measures used, and the efficiency and effectiveness of the methods, procedures, and activities used to accomplish goals, including communication practices, use of resources, and project management procedures.
- Review and evaluate the development process, including the selection of the developer and design review processes.
- Determine if CCDC has sound budgeting practices and procedures, including whether adequate information is provided to the Major, City Council, and Redevelopment Agency Board.



Scope & Objectives (cont.)

- **Determine whether CCDC salary and non-salary compensation programs, including benefit programs, were used over the last three fiscal years to compensate employees.**
- **Review CCDC's expenditures, submitted to the Redevelopment Agency during fiscal year 2007-08 for reasonableness, allowability, and compliance with pertinent policies and procedure and conflict of interest provisions between the two entities.**
- **Evaluate if CCDC is following sound procurement practices and procedures that are compliant with relevant rules and regulations (particularly California Community Redevelopment Law) and demonstrate good business practices, including determining if any conflict of interest situations exist.**



Scope & Objectives (cont.)

- **Verify the accuracy of CCDC's reported equipment and capital assets.**
- **Determine if the level of information provided by CCDC management to its board members is adequate and in compliance with board rules and regulations.**
- **Determine if CCDC has adequate internal controls over financial reporting, including sufficient segregation of duties, exception reporting, and transaction review/approval.**
- **Evaluate CCDC and Redevelopment conflict of interest provisions.**



Key Questions

- Is the existing governance structure effective? Is it sufficient to:
 - Provide City officials with reliable, accurate and timely information needed to maintain accountability, and to make key policy decisions?
 - Provide the public and City officials with reasonable assurance that redevelopment activities are transparent and appropriate?
 - Provide CCDC with the authority and flexibility to achieve redevelopment goals in the Centre City area?
- Are CCDC's redevelopment processes best suited to achieve success—based on best or common practices, performance management and measurement, and stakeholder input?
- Are CCDC's administrative processes best suited to ensure efficient operations while assuring proper use of public funds?



Deliverables/Milestones Progress

| Task | Deliverable | Percent Complete | Comments |
|------|--|------------------|--|
| 1 | CCDC's Success and Effectiveness | 15% | |
| 2 | Development Process | 25% | |
| 3 | Budget Process | 30% | |
| 4 | Procurement Practices | 25% | |
| 5 | Compensation | 35% | |
| 6 | Expenditures | 25% | |
| 7 | Equipment and Capital Assets | 40% | |
| 8 | Management Information | 40% | |
| 9 | Financial Reporting | 30% | |
| 10 | Conflicts of Interest | 20% | |
| 11 | Reports (Draft, Final & Presentations) | 0% | Draft Due May 2009 Final Due June 2009 |
| 12 | Status Reporting & Overall Completion | 24% | Field Work Completion Expected April 2009 |
| | TOTAL COMPLETION: | 24% | |



Activities To Date

- Met with Key Officials and Stakeholders
 - City Council/Redevelopment Agency Board Members
 - CCDC Management and Board Members
 - City Departments/Offices
 - Office of the Mayor
 - City Attorney
 - Chief Operating Officer
 - Independent Budget Analyst
 - Redevelopment Division



Activities To Date (cont.)

- Community Groups and Associations
 - ✓ Gaslamp Quarter Association
 - ✓ East Village Association
 - ✓ Little Italy Association
 - ✓ San Diego Downtown Partnership
 - ✓ San Diego Downtown Residents Group
 - ✓ Friends of Downtown
 - ✓ Downtown Residential Marketing Alliance
 - ✓ Convention & Visitors Bureau
 - ✓ San Diego Convention Center Corporation
 - ✓ San Diego Association of Governments
 - ✓ Building and Industry Association



Activities To Date (cont.)

- CCDC's Success and Effectiveness: During the first month of planning and fieldwork, we have begun to:
 - Identify and review core business activities (including planning and permitting, redevelopment financing, and public works/construction management).
 - Identify and review existing internal policies/procedures, as well as pertinent City and State regulations.
 - Evaluate involvement by key stakeholders, as well as their perceptions of CCDC's performance.



Activities To Date (cont.)

- CCDC's Success and Effectiveness (cont.):
 - Contact and obtain information from an initial sample of redevelopment agencies to obtain benchmark information, including those in the following cities: Portland, Seattle, Baltimore, San Francisco, San Jose, Oakland, Los Angeles, Indianapolis, and Denver.
 - Identify key goals and objectives established by CCDC, as well as the performance information made available to the CCDC Board, the Redevelopment Agency, and to the public.
 - Obtain performance measurement tools utilized by other redevelopment agencies.



Activities To Date (cont.)

- Development Process:
 - Interviewed key redevelopment personnel regarding the planning, design review, developer selection, and negotiation processes.
 - Reviewed internal reports, fiscal records and Board reports to identify the universe of Disposition and Development Agreements (DDA) and Owner Participation Agreements (OPA) executed by CCDC;
 - Obtained CCDC documentation relating to gap financing/lending activities, and payments due to CCDC.
- Budget Process: Reviewed budget documentation for three previous fiscal years; Interviewed key personnel regarding the budget preparation and review process; and began assessing the level of information presented to City officials.



Activities To Date (cont.)

- Procurement Practices:
 - Reviewed internal reports, fiscal records and Board reports to identify the universe of contracts executed by CCDC;
 - Reviewed CCDC procurement policies;
 - Interviewed key procurement personnel;
 - Selected initial sample of 19 construction and professional service contracts to evaluate the selection, process, project management and invoice payments.
- Compensation: Began reviewing payroll records to identify the types of compensation provided by CCDC and to determine whether salaries/bonuses were approved and supported according to CCDC guidelines.



Activities To Date (cont.)

- Expenditures: Selected an initial samples of 10 agency expenditures (City reimbursements to CCDC and vendor payments) and 37 corporation expenditures (travel claims, employee expenditure reimbursement, consultant invoices, purchase orders and other miscellaneous expenses) for detailed testing.
- Equipment & Capital Assets: Conducted a physical inventory of a random sample of equipment and assets to determine whether items were accounted for, and interviewed CCDC staff to determine how assets are tracked, managed, depreciated, disposed of, and reported.
- Management Information: Attended Board meetings and reviewed Board reports, meeting minutes, and agendas to determine the type of information provided to the Board and level of Board involvement in CCDC operations.



Activities To Date (cont.)

- Financial reporting:
 - Obtained and reviewed CCDC's annual financial statement audits;
 - Interviewed key personnel involved in the fiscal, procurement, payables and payroll activities to identify roles and responsibilities and significant accounting processes;
 - Reviewed contemporaneous documentation related to fiscal, procurement, payables and payroll activities to assess internal controls.
- Conflicts of Interest:
 - Reviewed CCDC's conflict of interest code and recent studies commissioned by CCDC to evaluate its ethics and conflict of interest policies;
 - Obtained Statements of Economic Interest (Form 700) for all CCDC employees who completed the form as well as key stakeholders and contractors.



Activities Planned For Next Month

- Continue meeting with key stakeholders, City officials, and CCDC personnel.
- Test internal controls over development activities, including DDAs, OPAs, and oversight/management of agreements.
- Continue testing a sample of contracts and expenditures.
- Continue benchmarking to compare industry best practices, governance structure, and performance metrics and management, to CCDC.
- Conduct additional testing of operational and administrative activities and reporting where necessary.



Questions or Comments Can Be Directed To:

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