

## STATUS OF TAP INTERNATIONAL AUDIT RECOMMENDATIONS

### TAP INTERNATIONAL AUDIT OF THE SANTA CLARA CONVENTION CENTER AND VISITOR'S BUREAU

Audit Recommendation	Current Status	Action Taken
1 The City Manager, in response to prior City Council direction to develop options for the SCCC and the CVB operations, should include a feasibility study to assess the advantages and disadvantages of various business structures to run each or both operations. The feasibility study should include analysis of financial projects in the short and long term for each option.	Partially Complete	Through the Request for Proposal process, the City will test the market for one provider to operate the SCCC or for one operator to manage both the SCCC and the CVB. Depending on proposals submitted and evaluated, staff will recommend one of the two options to the City Council for contract award. Should one operator get selected to manage the SCCC only, the City will then move forward with formation of a CVB as a separate entity. The RFP will be released in October of 2018.
<b>2 Regardless of any change in the business structure, the City Manager should consider implementing the following activities to ensure better accountability of operations and to build on the financial performance of the SCCC:</b>		
2.A Develop a comprehensive and integrated business and marketing strategy.	Partially Complete	As part of the procurement process, proposers to the RFP will be required to include a comprehensive business and marketing strategy, which will be included in the resulting management contract.
2.B Develop better event scheduling policies that address renting SCCC facilities to nonprofit organizations, the use of discounts, and document specific criteria for prioritizing event scheduling.	Partially Complete	As part of the procurement process, proposers to the RFP will be required to include scheduling policies, which will be included in the resulting management contract.
2.C Transition into booking more same day events to area hotels to allow greater availability of calendar time for multi-day events at the SCCC.	Partially Complete	As part of the procurement process, proposers to the RFP will be required to include a booking policy, which will be included in the resulting management contract.
2.D Reduce the SCCC's schedule of events to six months in advance.	Partially Complete	As part of the procurement process, proposers to the RFP will be required to include a scheduling policy, which will be included in the resulting management contract.
2.E Strategically align more sales staff to industries that frequently rent the SCCC.	Partially Complete	As part of the procurement process, proposers to the RFP will be required to include a strategic sales and marketing plan, which will be included in the resulting management contract.

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<b>2.F</b> Integrate all marketing and sales activities between the SCCC and CVB.	Partially Complete	As part of the procurement process, proposers to the RFP will be required to propose an integrated marketing and sales activities plan, which will be included in the resulting management contract.
<b>2.G</b> Consolidate accounting systems used between the SCCC and the CVB.	Not Implemented	The consolidation of accounting systems used by a vendor will be part of the due diligence process for selecting a vendor through the procurement process. In addition, the City needs to review its internal accounting processes to ensure that all risk areas have been addressed as we transition to reconciliation and close out of these to Chamber contracts.
<b>2.H</b> Consider elimination of sales commision.	Partially Complete	As part of the procurement process, proposers to the RFP will be required to propose an employee compensation policy and its advantages and disadvantages. The policy will be referenced in the resulting management contract with proper transparency/disclosure of financial incentives, if any are proposed. The City Council, and public, will be informed of the compensation model with transparency and monitoring, as part of required managment oversight.
<b>2.I</b> Modernize the SCCC	Partially Complete	<p>The 2017 study of the SCCC estimates replacement and modernization costs for short-term repairs at \$5.3 million and other long-term repair costs at \$57.7 million over the next ten years. The City and SCCC budgeted over \$1 million to replace the carpeting and budgeted over \$4 million to update the kitchen in FY 2020-21. These budget items will compete with other City-wide Capitol Improvement Budget priorities.</p> <p>As part of the procurement process, proposers to the RFP will be required to propose a capital improvement funding plan, which will be included in the resulting management contract.</p>

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2.J	Prohibit commingling of City funds with other nongovernmental revenue sources.	Not Implemented	The prohibition of commingling of funds will be included in the new contract(s).
2.K	Establish a clear leadership structure and team to administer effective City oversight of operations.	Complete	At the September 18, 2018 Council Meeting, the City approved 1.5 positions (1.0 Assistant to the City Manager position and 0.5 Office Specialist III position) to implement the SCCC audit, oversee the RFP, and manage the ensuing contracts. On an interim basis, the City Manager filled an Assistant to the City Manager position and the recruitment for permanently filling this position is underway.
2.L	Establish requirements to avoid, disclose, and mitigate conflict of interests.	Not Implemented	The new contract(s) will include strong conflict of interest language to comply with state and federal laws.
2.M	Establish financial disclosure requirements for the SCCC and the CVB contractors who make decisions on behalf of the City.	Not Implemented	The new contract(s) will include financial disclosure for contractors who make decisions on behalf of the City. The contract will require the decision makers to comply with state and federal laws and disclosure requirements.
2.N	Establish requirements that describe and define appropriate and reasonable expenditures.	Not Implemented	The new contract(s) will have a specific language on cost allocations, routine financial reviews, and planned audits, as applicable.

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<b>2.O</b> Establish requirements and controls for purchasing, including the use of the credit cards and purchase cards.	Not Implemented	The new contractor(s) will be required to establish requirements and controls for purchasing, including the use of the credit cards and purchase cards, and the City will audit against these policies.
<b>2.P</b> Establish contracting and contract management requirements for the SCCC and the CVB.	Not Implemented	The new contractor(s) will be required to establish contracting and contract management requirements and the City will audit against these policies.
<b>2.Q</b> Establish stronger requirements for financial reporting on operations.	Not Implemented	The new contract(s) will establish stronger requirements for financial reporting on operations made public on a quarterly basis.
<b>2.R</b> Establish the requirement to develop, track, and report on progress in meeting key performance benchmarks for the SCCC and the CVB operations.	Partially Complete	As part of the procurement process, proposers to the RFP will be required to propose industry specific key performance indicators for both operations, which will be included in the resulting management contract and subject to approval by the City. The City will maintain the right to include additional key performance indicators specifically tailored for the management of public assets and resources.
<b>2.S</b> Establish employee compensation policies.	Partially Complete	As part of the procurement process, proposers to the RFP will be required to propose an employee compensation policy and its advantages and disadvantages. The policy will be referenced in the resulting management contract and part of the City Council's review when considering awarding an operation agreement.

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2.T Establish controls that ensure accuracy and completeness of the SCCC and the CVB performance reporting.	Not Implemented	The City will establish internal controls that will ensure accuracy and completeness of the SCCC and the CVB performance reporting.
2.U Establish requirements for the storage and archiving of financial and operational data.	Not Implemented	The new contract(s) will establish requirements for the storage and archiving of financial and operational data.
2.V Conduct ethics and conflict of interest training to the SCCC and the CVB employees.	Not Implemented	The new operator must be able to demonstrate a working knowledge of good governance for public facilities and funds. Contract(s) will require regular ethics and conflict of interest training to the operator's SCCC and the CVB employees.
2.W Conduct training on the principles of good governance to the SCCC and the CVB employees.	Not Implemented	The new operator must be able to demonstrate a working knowledge of good governance for public facilities and funds. Contract(s) will require regular ethics and conflict of interest training to the operator's SCCC and the CVB employees.
3 The City Manager should review the accountability issues and concerns described in this report and refer them, if needed, for further review by the City or by other agencies.	Complete	The City Manager did refer the findings and the TAP audit of the SCCC and CVB to the IRS and FPPC. The FPPC has forwarded the Audit to the District Attorney. The City will cooperate with state and federal agencies if more violations are discovered during the process.
4 The City should conduct contract oversight activities by reconciling (a) the Contractor's allocation of CVB's revenues and expenses and (b) the Contractor's credit card statements.	Complete	The City extended TAP International's contract to reconcile the Contractor's allocation of CVB's revenues and expenses. Since May 2018, City staff has reviewed Contractor's credit card statements. An additional audit will be conducted on the credit card statements.