



CITY OF SAN ANTONIO

P. O. BOX 839966
SAN ANTONIO, TEXAS 78283-3966

August 22, 2007

Phil Hardberger
Mayor

Mary Alice P. Cisneros
Councilwoman, District 1

Sheila D. McNeil
Councilwoman, District 2

Roland Gutierrez
Councilman, District 3

Philip A. Cortez
Councilman, District 4

Lourdes Galvan
Councilwoman, District 5

Delicia Herrera
Councilwoman, District 6

Justin Rodriguez
Councilman, District 7

Diane G. Cibrian
Councilwoman, District 8

Kevin Wolff
Councilman, District 9

John G. Clamp
Councilman, District 10

Honorable Mayor and Council Members

SUBJECT: Management Memorandum – Follow Up Review of the Cultural Arts Funding Audit

The Office of the City Auditor performed a limited review of management's corrective action regarding the observations included in the July 2007 Cultural Arts Funding audit report. The follow up review provides the City and the Office of Cultural Affairs (OCA) management with an objective assessment on the progress achieved since the issuance of the audit report.

Overall, OCA management was able to provide the auditors with additional documentation to clear certain observations disclosed in the July 2007 report. As a result, the risks associated with these observations no longer exist. The OCA management revised their policies and procedures to address observations in the report. However, many of the new procedures will be tested during a follow up audit.

We commend the Office of Cultural Affairs for their cooperation and assistance during this review. The Office of the City Auditor is available to discuss this material with you individually at your convenience.

Respectfully submitted,

Pete M. Gonzalez, Jr., CPA, CFE
City Auditor

cc: Sheryl Sculley, City Manager
Michael Bernard, City Attorney
Leticia Vacek, City Clerk
Penny Post oak Ferguson, Assistant City Manager
Felix Padron, Director, Office of Cultural Affairs

**Follow Up Review of the Cultural Arts Funding Audit
August 22, 2007**

| Previously Reported Observation | Corrective Action |
|---|--|
| <p>Observation #1:</p> <ol style="list-style-type: none"> 1. Delegate Agencies received about \$1.3 million from the Office of Cultural Affairs (OCA) prior to having an executed contract for fiscal year 2007. 2. Seventeen of twenty-one Delegate Agency reimbursements valued at \$387,425 for fiscal year 2006, and twelve of eighteen reimbursements valued at \$410,195 of fiscal year 2007, were lacking sufficient supporting documents. | <ol style="list-style-type: none"> 1. The department implemented a new procedure to ensure that contracts are fully executed prior to reimbursing Delegate Agencies. This procedure will be tested during a follow up audit. 2. OCA updated their invoice checklist to reflect audit recommendations regarding necessary support. This checklist will be tested during a follow up audit. |
| <p>Observation #2:</p> <ol style="list-style-type: none"> 1. Forms intended to document the Cultural Arts Board (CAB) member recommended funding amounts for Delegate Agencies did not contain the member's name and/or signature. This is needed to evidence the absence of any conflicts of interests. In addition, CAB members' original forms could not be located by OCA staff. 2. The summary document of the CAB members' recommended funding amounts contained numerous mathematical errors. In addition, OCA staff was unable to locate documentation to support CAB's \$3,313,259 final arts funding decision for fiscal year 2007 (i.e., \$2,887,193 in Operational Support and \$426,066 in Stabilization Support). 3. OCA did not stamp-date required supporting information to certify receipt by the deadline, 4:00 pm on May 31, 2006. 4. Applicant files did not contain supporting documents required to determine the applicant's administrative and artistic merit. | <ol style="list-style-type: none"> 1. During this follow up review, the original CAB member forms were provided to the auditors. The documentation reflected no conflicts of interest between CAB members and Delegate Agencies. 2. During this follow up review, OCA provided support documentation for the final arts funding decision for fiscal year 2007. Auditors traced final arts funding amounts to the October 31, 2006 board minutes with no exceptions noted. Also, OCA implemented procedures to ensure the accuracy of information for the fiscal year 2008 cultural arts funding. These procedures will be tested during a follow up audit. 3. OCA instituted a procedure to stamp-date all incoming documentation. This procedure will be tested during a follow up audit. 4. OCA implemented a new filing system to ensure that all required supporting documents are obtained from Delegate Agencies and maintained in accordance with the City's records retention policy. This system will be tested during a follow up audit. |
| <p>Observation #3:</p> <ol style="list-style-type: none"> 1. One late application was funded during fiscal year 2007. | <ol style="list-style-type: none"> 1. During this follow up review, OCA provided documentation supporting that the application was received on time, and was not late as previously reported. |
| <p>Observation #4:</p> <ol style="list-style-type: none"> 1. One Review Committee member voted on an application in which he had an indirect conflict of interest with the applicant's sponsor. 2. Two Review Committee members voted for applicants who nominated them for the Review Committee. | <ol style="list-style-type: none"> 1. Effective August 17, 2007, OCA implemented a zero-tolerance policy to ensure that no conflicts of interest occur. This policy will be tested during a follow up audit. 2. Effective August 17, 2007, OCA implemented a zero-tolerance policy to ensure that no conflicts of interest occur. This policy will be |

**Follow Up Review of the Cultural Arts Funding Audit
August 22, 2007**

| Previously Reported Observation | Corrective Action |
|---|---|
| <p>3. All nomination forms for the Performing Arts and Multidisciplinary Arts Review Committee members were missing.</p> | <p>tested during a follow up audit.</p> <p>3. OCA provided the nomination forms for the Review Committee members with no exceptions.</p> |
| <p>Observation #5:</p> <p>1. There was no programmatic monitoring regarding the \$5.3 million awarded to Delegate Agencies during fiscal year 2007. According to OCA staff, some financial monitoring was performed. However, support documentation was limited to substantiate this assertion.</p> | <p>1. OCA provided the auditors with a program performance review checklist to assist staff in monitoring the contracts. The checklist appears to be an excellent tool. This checklist will be tested during a follow up audit.</p> |
| <p>Observation #6:</p> <p>1. Policies and procedures do not contain sufficient detailed guidance to assist OCA staff in the performance of their duties.</p> | <p>1. OCA has adequately updated its policies and procedures.</p> |