



CITY OF SAN ANTONIO

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March 18, 2014

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SUBJECT: Audit Report of Department for Culture and Creative Development Arts and Cultural Agency Funding

Mayor and Council Members:

We are pleased to send you the final report of the Department for Culture and Creative Development Arts and Cultural Agency Funding Audit. This audit began in August 2013 and concluded with an exit meeting with department management in December 2013. Management's verbatim response is included in Appendix B of the report. The Department for Culture and Creative Development management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of Department for Culture and Creative Development

Arts and Cultural Agency Funding

Project No. AU13-023

March 18, 2014

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Department for Culture and Creative Development (DCCD), specifically arts and cultural agency funding. The audit objective, conclusion, and recommendation follow:

Is DCCD adequately monitoring arts and cultural agency funding and performance measures of agencies receiving funding?

Yes, overall DCCD is adequately monitoring arts and cultural agency funding and performance measures of agencies receiving funding. However, we identified improvement opportunities for the reporting process. In fiscal year 2013 several agencies reported ineligible events to DCCD. Events not open to the general public, events not in city limits, and events planned primarily for fundraising purposes are not allowed under the current guidelines.

We recommend that the Director of DCCD:

Implement monitoring controls to ensure agencies report events in accordance with contractual requirements and DCCD guidelines.

DCCD Management's verbatim response is in Appendix B on page 5.

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Background

The Department for Culture and Creative Development (DCCD) supports the creative needs of the community by providing financial support to San Antonio nonprofit arts and cultural organizations, as well as individual artists. The department's programs foster citizen and visitor participation, neighborhood revitalization, and economic development.

In fiscal years 2012 and 2013, DCCD had four programs for funding the arts: General Operational, Project Funding, Community Arts Access, and Technical & Economic Development Assistance. The fiscal year 2012 and 2013 budgets to fund arts and cultural agencies, supported by the hotel occupancy tax, were \$5.3 million and \$5.9 million, respectively, with the most funds being allocated to the General Operational program. For both years, the General Operational program support was budgeted among approximately 40 agencies, with funding to a single agency ranging from \$10,250 to \$540,060.

DCCD's competitive funding process is utilized to purchase arts and cultural services for the community. The Cultural Arts Board, whose members are appointed by the Mayor and City Council, approves DCCD's funding guidelines before they are adopted by City Council. With the assistance of DCCD staff and Review Committees, the Cultural Arts Board selects agencies based upon their artistic and cultural merit, community involvement, outreach, diversity, financial position, and marketing efforts. Final funding decisions are made by City Council through the annual budget process.

Once funding is granted, the Funding and Contract Administration Division of DCCD oversees the contracts, reviews invoices, and monitors agencies for adherence to performance measures. Monitoring of performance plans and invoices is performed either monthly or quarterly, depending on the level of risk, while agency site visits are conducted annually.

Audit Scope and Methodology

The audit scope included arts and cultural agencies that received funding in fiscal year 2013.

To obtain an understanding of the monitoring processes, we interviewed staff and observed controls. Testing criteria included the *Arts Funding Guidelines* and other departmental policies and procedures.

We selected a random sample of 25 agencies that received General Operational Support or Project Support and verified that the fiscal year 2013 (quarters 1-3) performance plans and invoicing were adequately monitored. Additionally, we verified that fiscal year 2012 end of contract reviews were performed. When applicable, we verified that awards were appropriately reduced. Additionally, we reviewed agency eligibility and program income requirements.

We relied on computer-processed data in SAP, the City's financial accounting system, to validate the timeliness and accuracy of payments to the agencies. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We verified that DCCD staff has read only access to the database of applications and reviewed the application processes for the General Operational Support, Project Support, and Technical & Economic Development Assistance programs. Lastly, we reviewed the allocation process for the Community Arts Access Program.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Audit Results and Recommendations

A. Monitoring of Arts and Cultural Agency Funding

DCCD is adequately monitoring the arts and cultural agency funding and performance measures. We tested 25 agencies and determined that DCCD has a comprehensive monitoring process in place to ensure that the agencies meet contract requirements. Specifically, staff regularly reviews contract monitoring reports, invoices, and other required documentation. Staff also performs annual site visits. Additionally, the arts and cultural agency funding guidelines and application process are regularly reviewed and updated to ensure relevance and increased effectiveness.

Recommendation

No recommendation

B. Ineligible Events

In fiscal year 2013, 7 of 24¹ agencies tested reported ineligible events to DCCD. Events not open to the general public, events not in city limits, and events planned primarily for fundraising purposes are not allowed under the current guidelines.

In part, this was caused by the agencies' efforts to show DCCD and the Cultural Arts Board the benefits that they provide to the community, including, for example, performances at local schools. Although such events may benefit the community and promote the arts, they are not allowed under the current guidelines because the general public cannot attend.

Additionally, DCCD has no formal procedures in place to ensure that all events meet guideline requirements, instead relying on ad hoc reviews and past performance plans.

The inclusion of ineligible events may result in agencies receiving more funding than they would otherwise. Additionally, the City may receive fewer events that are aligned with the strategic vision that set the current guidelines.

Recommendation

The Director of DCCD should implement monitoring controls to ensure agencies report events in accordance with contractual requirements and DCCD guidelines.

¹ 1 of the 25 agencies had no events in the period tested.

Appendix A –Staff Acknowledgement

Buddy Vargas, CFE, Audit Manager
Rebecca Moulder, CIA, Auditor in Charge
Christina Liguori, CIA, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

January 10, 2014

Kevin W. Barthold, CPA, CIA, CISA
 City Auditor
 San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Department for Culture and Creative Development (DCCD) Arts and Cultural Agency Funding

DCCD has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendation.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<p>Ineligible Events</p> <p>The Director of DCCD should implement monitoring controls to ensure agencies report events in accordance with contractual requirements and DCCD guidelines.</p>	3	Accept	Felix Padrón Executive Director	Currently being implemented, completion with next funding cycle- FY2015
<p>Action plan:</p> <p>DCCD has reviewed the recommendations provided as a result of the recently completed audit and are in agreement with the positive outcome of the assigned scope. DCCD has industry acceptable document controls in place that we will continue to adhere to.</p> <p>It must also be sited that DCCD funded a high volume of events in 2013 benefiting a cross sector of the community as well as visitors. DCCD invests in a wide diversity of arts and cultural activities that have a positive impact throughout the city of San Antonio. DCCD's commitment to quality and accessibility of the arts includes funding art and cultural activities that we believe have ancillary educational or fundraising elements. The one event that was found to be a fundraising activity was still free and open to the public. Events that were held in schools were still of benefit to San Antonio children, however, DCCD feels confident that the organization has many other worthy events that can be added to their performance plan moving forward.</p> <p>The action plan below outlines the steps that we have taken to enhance the monitoring control area that is recommended. In addition, DCCD is deep in the process of revising the existing funding guidelines and has already incorporated changes to accommodate the suggested recommendation.</p> <p>DCCD will continue to monitor each arts agency throughout the contract lifecycle to ensure all events listed within the Performance Plan fall within the parameters. Additional controls will be added at different points of the funding process:</p>					

I. For FY 2015, these “qualifying” criteria will continue to be included as part of a FAQ posted on our website to ensure potential applicants will review and abide by these basic eligibility requirements.

II. For FY 2015, the general qualifying questions on the online application will capture information such as:

- “Will event be open to general public?” A “yes” allows the applicant to continue to the next question. A “no” automatically disqualifies this event as part of the applicant’s performance plan. Applicant will be required to substitute another event at that point in the application.
- “Is the event a fundraiser?” Events that charge admission are not necessarily excluded from consideration. Only those events that are produced and deemed as fundraising activities will be excluded from consideration. If the organization answers “no” the applicant can continue to the next question. A “yes” will automatically disqualify this event as part of the applicant’s performance plan. Applicant will be required to substitute another event at that point in the application.
- “Does this event take place within the City of San Antonio?” A “yes” allows the applicant to continue to the next questions. A “no” prompts another question, “How does this activity directly benefit the citizens and tourists in San Antonio?”. The review panel will review the answer included. The new guidelines for FY 2015 will disqualify any applicants whose programs do not primarily benefit the citizens of San Antonio.
 - DCCD will ensure that all Panelists are fully informed and abide by this criterion when evaluating applications.

III. At the point of contract negotiation, post-award: Currently, a “required document checklist” is provided to each award recipient in preparation to build our internal files. DCCD, while working with the recipient agencies will also require a specific questionnaire (as Part II of the current *Required Document Checklist*) posing the following:

Part II

a. Will each Event listed above be open to the general public? *(If any of the individual events listed above not be available to the general public, those events are not eligible for DCCD funding and should be withdrawn from the DCCD Performance Plan. If no reasonable substitute is presented, a possible reduction in award may occur)*

b. Will each Event listed above take place within the City of San Antonio limits? *(If any of the individual events listed above not take place within the City of San Antonio limits, those events will need to show how they benefit the citizens and tourists in San Antonio or they will be withdrawn from the DCCD Performance Plan. If no reasonable substitute is presented, a possible reduction in award may occur)*

c. Is the event a fundraiser? *(If any of the individual events listed are classified as a fundraising event, the event is not eligible for DCCD funding and event(s) should be withdrawn from the DCCD Performance Plan. If no reasonable substitute is presented, a possible reduction in award may occur)*

Agency Signature _____ Date _____
 Contract Officer _____ Date _____
 Contract Manager _____ Date _____

If an ineligible situation presents itself, the issue will immediately be remedied prior to the contract being fully executed.

IV. Quarterly Contract Monitoring Report, Site Visit and Spot-check:

Each award recipient is required to complete and submit a quarterly report on the contracted performance plan. At this point, the contract officers will continue to monitor what is submitted by each agency. Should any arts-funded agency be found to include ineligible events (post award) will be subject to the following ramifications:

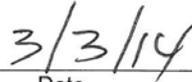
1. Review and approval of reasonable substitutions, or
2. De-obligate a portion of the award

We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,



Felix Padrón
Director
Department for Culture and Creative Development



Date



Ed Belmares
Assistant City Manager
City Manager's Office



Date