
PERFORMANCE AUDIT OF THE MISSION BAY AND SAN DIEGO REGIONAL PARKS IMPROVEMENT FUNDS, FISCAL YEAR 2021

**Office of the
City Auditor**

City of San Diego



The City of San Diego is in substantial compliance with the requirements of Charter Section 55.2, but should enhance information reporting to oversight committees and continue to address issues with committee appointments.

Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2021

This audit is conducted annually in accordance with the requirements of City of San Diego Charter Section 55.2

Why OCA Did This Study

The City Charter requires that the City Auditor report annually the extent and nature of the Mission Bay and the San Diego Regional Parks Improvement Funds' revenues, expenses, and improvements and compliance with the requirements of Section 55.2. To comply with the Charter and in accordance with the City Auditor's Fiscal Year 2022 Annual Audit Work Plan, we have performed an audit of the Mission Bay and the Regional Parks Improvement Funds' financial activity in fiscal year 2021.

What OCA Found

We found the City of San Diego is in substantial compliance with the requirements of Charter Section 55.2, but should enhance information reporting to oversight committees and continue to address issues with committee appointments.

Finding 1: More detailed capital project information would help the Improvement Fund Oversight Committees carry out their responsibilities.

Finding 2: The City should consider the appropriateness of replenishing Improvement Funds in light of the impact of lost revenue on Improvement Funds due to the COVID shutdown.

Finding 3: The City does not have documentation to show routine site visits of leased properties are occurring.

Finding 4: Municipal Code Section 26.30 should be amended to ensure proper representation of Council Districts on the Mission Bay Park Committee.

Finding 5: The majority of both Improvement Fund Oversight Committee members are currently serving under expired terms.

Finding 6: Some projects are missing reconciliation documentation in the City's financial system of records (SAP).



Mission Bay Park. Source: <https://www.thelog.com/local/14-cameras-installed-around-mission-bay/>.

What OCA Recommends

We make 8 recommendations to help the City better manage the oversight of lease properties on Mission Bay consistent with Charter Section 55.2 and Municipal Code Section 26.30:

Key recommendations include:

- The Engineering & Capital Projects and the Parks and Recreation Departments should enhance the detail of capital project information provided to the Improvement Fund Oversight Committees.
- The Department of Finance should present an option to compensate the Improvement Funds for lost revenue to the Mayor for consideration as part of the mid-year budget update.
- The Department of Real Estate and Airport Management should conduct and document routine site visits of leased property on Mission Bay Lands at a minimum frequency of once every 3 years to ensure properties are being well maintained and are being operated in accordance with the lease terms.

For more information, contact Andy Hanau, City Auditor at (619) 533-3165 or cityauditor@sandiego.gov.



THE CITY OF SAN DIEGO

August 2, 2022

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is the performance audit report on Mission Bay and San Diego Regional Parks Improvement Funds for Fiscal Year 2021. This report was conducted in accordance with the City Auditor's Fiscal Year 2022 Audit Work Plan, and the report is presented in accordance with City Charter Sections 39.2 and 55.2. Audit Objectives, Scope, and Methodology are presented in Appendix B. Management's responses to our audit recommendations are presented starting on page 34 of this report.

We would like to thank staff from the Department of Real Estate and Airport Management, the Parks and Recreation Department, the Department of Finance, City Treasurer's Office, Office of Boards and Commissions, and the Engineering & Capital Projects Department. All of their valuable time and efforts spent on providing us with information is greatly appreciated. The audit staff members responsible for this audit report are Ruixin Chen, Danielle Novokolsky, Rod Greek, Danielle Knighten, and Matthew Helm.

Respectfully submitted,

Andy Hanau
City Auditor

cc: Honorable City Attorney, Mara Elliott
Jay Goldstone, Chief Operating Officer
Alia Khouri, Deputy Chief Operating Officer
Kristina Peralta, Deputy Chief Operating Officer
Kris McFadden, Interim Deputy Chief Operating Officer
Christiana Gauger, Chief Compliance Officer
Charles Modica, Independent Budget Analyst
Elizabeth Correia, City Treasurer
Penny Maus, Director, Department of Real Estate and Airport Management
Rania Amen, Director, Engineering & Capital Projects Department
Matt Vespi, Chief Financial Officer
Rolando Charvel, Director, Department of Finance
Andy Field, Director, Parks and Recreation Department
Heather Ferbert, Chief Deputy City Attorney
Chida Warren-Darby, Director, Office of Boards and Commissions
Benjamin Battaglia, Assistant Director, Department of Finance



OFFICE OF THE CITY AUDITOR
600 B STREET, SUITE 1350 • SAN DIEGO, CA 92101
PHONE (619) 533-3165 • CityAuditor@sandiego.gov

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Background

The City Charter requires that the City Auditor report annually the extent and nature of the Mission Bay and San Diego Regional Parks Improvement Funds' revenues, expenses, improvements, and compliance with the requirements of Charter Section 55.2. To comply with the Charter, and in accordance with the City Auditor's Fiscal Year 2022 Audit Work Plan, we have performed an audit of the Mission Bay and San Diego Regional Parks Improvement Funds' financial activity in fiscal year (FY)2021.

The Mission Bay and San Diego Regional Parks Improvement Funds have two sources of revenue: transfers from lease revenue collected from tenants in Mission Bay Park and interest. Mission Bay Park lease revenue is deposited to a separate General Fund account during the year and allocated to the improvement funds after the fiscal year-end.

Annually, beginning in FY2010, Mission Bay Park lease revenues in excess of \$23 million have been distributed to the Mission Bay and San Diego Regional Parks Improvement Funds for allowable capital improvement projects. Per the City Charter, in FY2015 and thereafter, revenues in excess of \$20 million are transferred. A minimum of \$3.5 million or 35 percent of revenues in excess of \$20 million (if it is greater) is transferred to the San Diego Regional Parks Improvement Fund (SDRPIF), with the remainder of the excess going to the Mission Bay Improvement Fund (MBIF).

The Mission Bay Park Improvement Fund's Oversight Committee and the San Diego Regional Parks Improvement Fund's Oversight Committee are responsible for carrying out oversight responsibilities on the revenues and expenditures associated with leases and capital projects within the boundaries of Mission Bay Park and San Diego Regional Parks. They use information presented to them to make recommendations to City Council on projects to be funded and any concerns that they believe need further scrutiny. They are also responsible for verifying that the appropriate funds are collected, segregated, retained, allocated, and prioritized in compliance with the City Charter. The audit objectives, scope and methodology used to perform this audit can be found in **Appendix B** of this report.

Audit Results

The City of San Diego is in substantial compliance with the requirements of Charter Section 55.2.

Fiscal Year 2021 Financial Activity

The fiscal year (FY)2021 activities of the Mission Bay Improvement Fund (MBIF) and San Diego Regional Parks Improvement Fund (SDRPIF) are shown in **Exhibit 1**. Adjusted lease revenue was down for the second consecutive year due to the COVID-19 shutdown. The total decrease from FY2020 is 16 percent (\$4.1 million). The total decrease from the last full pre-pandemic fiscal year of FY2019 is 31 percent (\$9.7 million) in Mission Bay area annual lease revenue.

Exhibit 1:

Mission Bay Improvement Fund and San Diego Regional Parks Improvement Fund Post Charter Financial Activity (FY2021)

	Mission Bay Improvement Fund	Regional Parks Improvement Fund
Charter 55.2 Beginning Balance as of June 30, 2020	\$ 38,773,095	\$ 14,554,768*
Revenue, excluding unrealized gains and losses	\$ 646,377	\$ 2,000,841
Expenditures, net of depreciation	\$ <4,844,552>	\$ <6,413,688>
Ending Balance as of June 30, 2021	\$ 34,574,920	\$ 10,141,921

* As restated by the Department of Finance (\$1,430 of expenditures from FY2020 related to Pre-Charter period).

Source: OCA generated based on general ledger and Department of Finance schedules, amounts rounded to the nearest dollar excluding unrealized gains and losses and depreciation.

Due to this significant drop, the MBIF received no lease revenue, but did receive interest on account balances of \$646,377. The MBIF had expenditures of \$4,844,552. The majority of these expenditures were for improvements to playgrounds, comfort

stations, and parking lots at various Mission Bay Parks. The balance at June 30, 2021, was \$34,574,920.

SDRPIF had revenues, including transfers and interest, of \$2,000,841, and expenditures of \$6,413,688. The available balance at June 30, 2021, was \$10,141,921. Prior fiscal years' financial activity through June 30, 2020, is shown in **Appendix C** of this report.

Mission Bay Park Lease Revenue

The total adjusted Mission Bay Lease Revenues, including late fees, were \$21,784,368. The revenues in excess of the \$20,000,000 threshold were distributed to the SDRPIF and MBIF based on the Charter formula for distribution, as shown in **Exhibit 2**. The FY2021 distribution from the Mission Bay Lease Revenue was \$1,784,368 to the SDRPIF for capital improvements and there was no remainder to transfer to the MBIF. Mission Bay adjusted total Lease Revenues decreased by \$4,095,553 between FY2020 and FY2021. The decrease was mainly due to a 48 percent decrease in revenues from SeaWorld from \$7,722,603 to \$3,998,167, a drop of \$3,724,436 from FY2020 to FY2021.¹

Exhibit 2:

Mission Bay Lease Revenue Allocation to Funds

Mission Bay Lease Revenue Allocation to Fund	Allocation Breakdown in excess of the threshold	FY2021 Allocation Amounts
San Diego Regional Parks Improvement Fund	35% or \$3.5 million, whichever is greater, of the amount in excess of the \$20 million threshold	\$1,784,368
Mission Bay Park Improvement Fund	65% of the excess over the \$20 million threshold, if less than the 65%, then the remainder after the San Diego Regional Parks minimum allocation	\$ 0

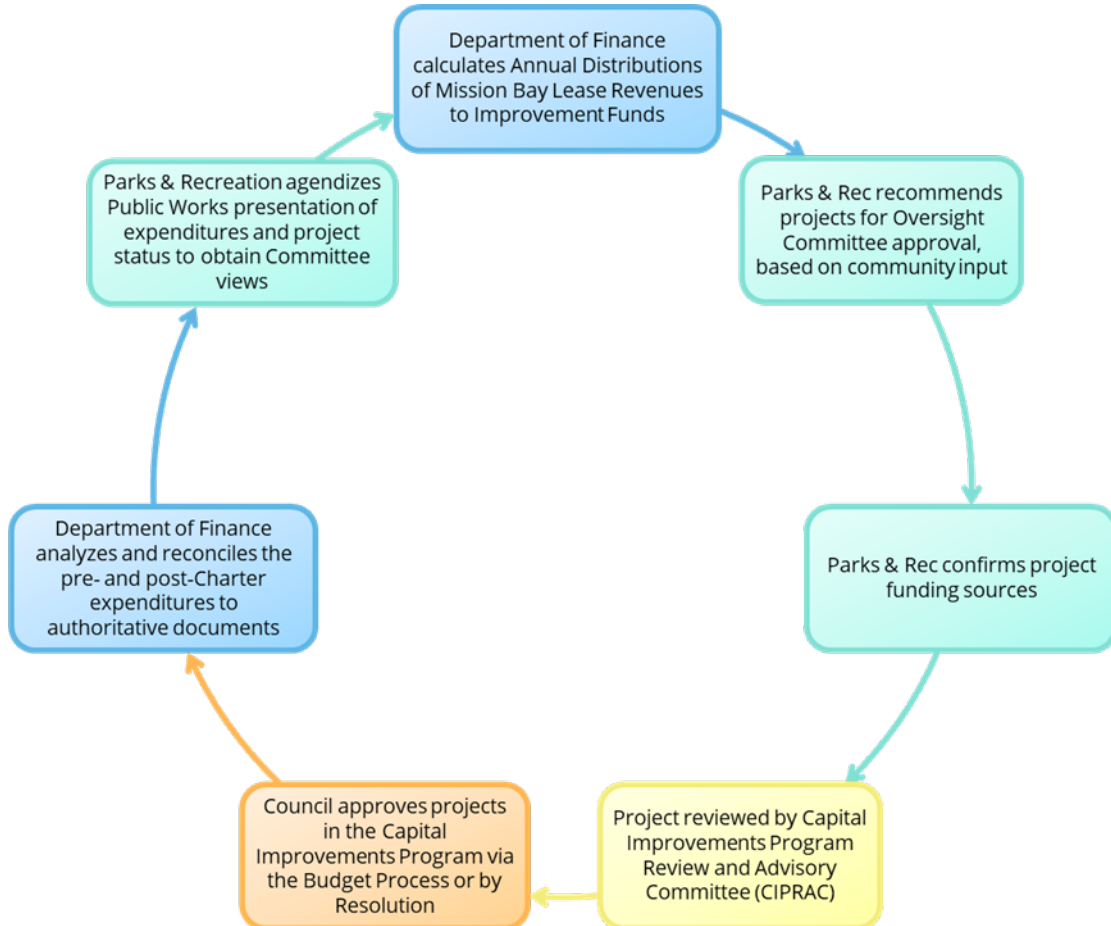
Source: OCA generated based on San Diego City Charter, Article V, Section 55.2(b).

¹ See **Appendix D** for a detailed list of revenues.

The processes to approve, monitor, and report Charter revenues and expenditures are shown in **Exhibit 3**.

Exhibit 3:

Approval & Reporting on Charter Section 55.2 Funded Projects



Source: OCA generated based on interviews with City Staff.

San Diego Regional Parks Improvement Fund expenditures complied with the Charter requirements. During FY2021, SDRPIF project expenditures, subject to the provisions of Charter Section 55.2, totaled \$6,413,688, excluding depreciation. The FY2021 SDRPIF Charter expenditures by project are listed in **Appendix E** of this report.² We found that the expenditures complied with the Charter requirements.

² Source: Department of Finance analysis of SDRPIF expenditures for FY2021.

Mission Bay Improvement Fund expenditures complied with the Charter requirements. MBIF total expenditures were \$4,844,552, excluding depreciation for FY2021. The FY2021 MBIF project Charter expenditures are listed by project in **Appendix F** of this report.³ We found that the FY2021 MBIF expenditures complied with the Charter requirements.

³ Source: Department of Finance analysis of MBIF expenditures for FY2021.

Finding 1: More detailed capital project information would be helpful to the Improvement Fund Oversight Committees.

More detailed information would enhance the ability of the Oversight Committees to make more informed decisions.

The Mission Bay Park Improvement Fund's Oversight Committee and the San Diego Regional Parks Improvement Fund's Oversight Committee (Committees) are responsible for overseeing revenues and expenditures associated with leases and capital projects within the boundaries of Mission Bay Park and San Diego Regional Parks. During the audit, we made inquiries of Committees Chairs regarding the sufficiency of information being provided to them. The Committees are currently receiving basic information; however, the Committee Chairs indicated there have been discussions regarding the need for additional information to enhance their ability to carry out their oversight responsibilities under Charter Section 55.2.

Specifically, they requested the City provide more detailed project information regarding the cost for each phase of the project. For example, a breakdown between planning, design, and construction costs. The Committee Chairs also requested a cost breakdown within each phase to show the portion expended for City labor (inclusive of fringe and overhead) versus consultant and contractor costs.

Without this information, the Committees are currently unable to assess the relationship between actual construction costs and the costs associated with planning and designing the facilities. Additionally, they are not able to assess what factors are driving cost increases. Since these committees are responsible for recommending allocation amounts to projects, this information would be helpful to them in making their recommendations.

This information could be a combination of future estimated costs and actual cost for historical information. When presented with requests for additional funds, the reason for the additional funding requested should be clearly described to provide clarity. For example, it could be due to rising material cost or expanded scope. The two tables in **Exhibit 4** below compare what is currently presented to the Committees and what is not

presented but would better inform the Committees' decision making.

Exhibit 4

Presented to Committees:

Project ID	Funding Change	Impact
B19159 Sunset Point Parking Lot	\$75,000.00	Project is in design. This will fund construction.

Not Presented to Committees:

B19159 Sunset Point Parking Lot Cost Estimates				
Item	Unit/Unit Price	Previous Cost Estimate	Current Cost Estimate	Variance
Construction Items Subtotal		\$280,000	\$318,095	\$38,095
Field Orders	5% of construction subtotal	\$14,000	\$15,905	\$1,905
Construction Contract Total		\$294,000	\$334,000	\$40,000
Design Engineering & Admin	8% of construction Total	\$1,120	\$1,272	\$152
Field Engineering	29% of construction Total	\$85,260	\$96,860	\$11,600
Admin & Engineer Consultant Fee	38% of construction Total	\$113,190	\$128,590	\$15,400
Environmental/CEQA exempt	LS \$5,000.00	\$5,000	\$5,000	\$0
Field Inspection, Design & Environmental Total		\$203,450	\$230,450	\$27,000
Project Total w/o Contingency		\$497,450	\$564,450	\$67,000
Project Contingency	20% of construction Total	\$58,800	\$66,800	\$8,000
Project Total		\$556,250	\$631,250	\$75,000
Existing Budget		\$556,250	\$556,250	\$0
Additional Construction Funding Need			\$75,000	\$75,000
Funding Need: Additional funding need of \$75,000 mainly driven by cost increases in construction materials, Field Engineering, and Admin & Engineer Consultant Fees. The project also requires additional \$8,000 for contingency.				

Note: The cost estimates above are generated by OCA for illustration purpose.

Source: OCA generated based on the Missions Bay Park Improvement Fund Oversight Committee and the San Diego Regional Park Improvement Fund Oversight Committee meeting records and interviews with Committee Chairs.

Recommendation 1

To enhance the Missions Bay Park Improvement Fund Oversight Committee's and the San Diego Regional Park Improvement Fund Oversight Committee's ability to carry out their oversight responsibilities under Charter Section 55.2, we recommend:

The Engineering & Capital Projects and the Parks and Recreation Departments should enhance the detail of capital project information provided to the Improvement Fund Oversight Committees. Whenever a request is made to increase funding/budget of a project that requires committee approval, detailed project estimates including factors driving cost increases should be provided to the committees. Additionally, this information should also be provided to the committees once a year for each project requesting new funding in the coming fiscal year. (Priority 2)

Finding 2: The City should consider the appropriateness of replenishing Improvement Funds in light of the impact of lost revenue on Improvement Funds due to the COVID Shutdown.

Lost lease revenue between March 2020 and June 2021 is estimated to be in excess of \$15 million.

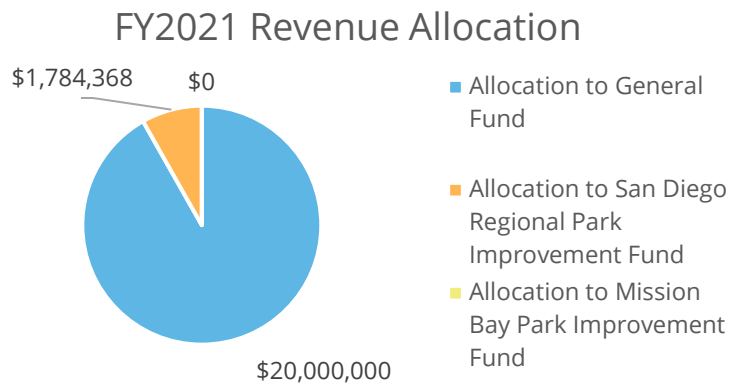
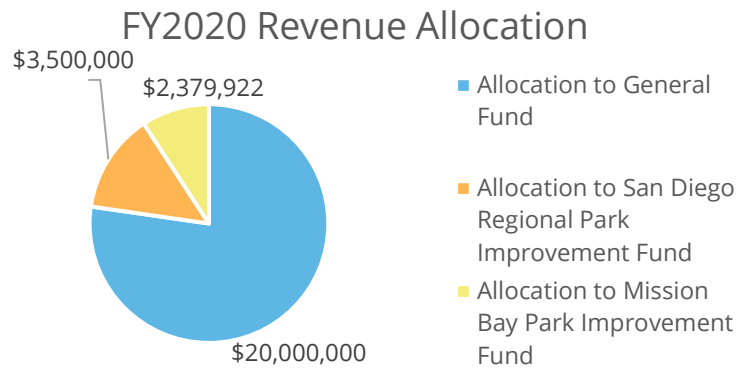
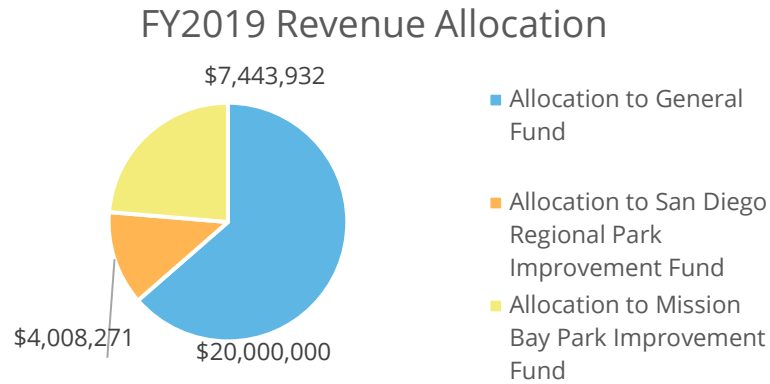
The last full fiscal year prior to the COVID-19 Pandemic was FY2019. In that fiscal year, total revenue from Mission Bay Leases was approximately \$31.5 million. For FY2020 and FY2021, the lease revenue was reported to be \$25.9 million and \$21.8 million respectively.

This is a 16 percent reduction from FY2020 to FY2021 and a 31 percent reduction from FY2019 to FY2021 for total estimated lost revenues of over \$15 million. Only the amount of revenue over \$20 million in each fiscal year goes to the Improvement Funds. The General Fund received no reduction from lost lease revenue on Mission Bay as it received the full \$20 million allotment each year.

The San Diego Regional Parks Improvement Fund (SDRPIF) received its full allotment of \$3.5 million in FY2020; however, it was reduced by almost half in FY2021 due to the lower total lease revenue. The Mission Bay Improvement Fund (MBIF) saw a 68 percent reduction in revenue from FY2019 to FY2020 from \$7.4 million down to \$2.4 million. In FY2021, MBIF did not receive any lease revenue. **Exhibit 5** below compares the revenue allocation to each fund during FY2019 and FY2021.

Exhibit 5

Mission Bay Lease Revenue Allocation FY2019–FY2021



Source: OCA generated based on San Diego City Charter, Article V, Section 55.2(b) and Mission Bay lease revenues.

The federal and state governments created programs to reimburse cities for lost revenue due to the impacts of COVID-19. As discussed above, both Improvement Funds have been

negatively impacted by the reduction in lease revenue during the pandemic. Decisionmakers, such as the Mayor and City Council, should be given the opportunity to evaluate whether these funds should be replenished for these negative impacts. The Office of the Independent Budget Analyst (IBA) is aware of this impact to the Improvement Funds. According to the IBA, this issue will likely be discussed in the FY2023 mid-year budget review.

Without adequate funding, capital improvements in Mission Bay and San Diego Regional Parks will be hindered. A possible source for this would be additional allocations from the General Fund since the General Fund has received funding from the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program under the American Rescue Plan Act (ARPA) to compensate for lost revenues and associated impacts of the pandemic.

Recommendation 2

To ensure proper considerations are given to replenish Improvement Funds, we recommend:

The Department of Finance (DoF) present an option to compensate the Improvement Funds for lost revenue to the Mayor for consideration as part of the mid-year budget update. (Priority 1)

Finding 3: The City does not have documentation to show routine site visits of leased properties are occurring.

Documentation of site visits were not provided.

The Department of Real Estate and Airport Management (DREAM) is responsible for administering the City's leases and ensuring that lessees are in compliance with the lease agreements. One way to provide this oversight is to conduct site visits of each leasehold.

During the audit, DREAM advised that it was not conducting site visits during much of the audit period due to the COVID-19 pandemic. However, for the four site visits DREAM did conduct, it was unable to provide documentation of the site visits. This issue of lack of site visits was identified in OCA's [2021 Mission Bay and San Diego Regional Parks Improvements Fund Audit](#). Additionally, OCA's recent audit on the [City's Lease Management and Renewal Process](#) found that the lack of site visits/inspections predated the pandemic. The Lease Management and Renewal Process audit also found that DREAM has not been consistently performing or documenting several important lease management practices, including maintaining up-to-date insurance certificates in its information management system and ensuring that rent adjustments are current. During the current audit, DREAM reported that it had up-to-date insurance certificates and has since scanned and linked them in the system. OCA will verify whether the desired results are achieved during its recommendation follow-up process.

Since those prior audits, DREAM has put together a staffing plan to manage and monitor the leaseholds located on Mission Bay Boundary lands. In addition, in response to a recommendation from the Lease Management and Renewal Process Audit published in February 2022, DREAM has also agreed to set performance target and procedures regarding property inspections/site-visits for lease-outs throughout the City, with a target completion date of January 2024. According to property agents, prior to the COVID-19 pandemic, site visits were conducted in the Mission Bay area annually. Without these site visits, the City may be unaware of lease violations, including any potential safety hazards, poor maintenance conditions on

properties that could have been visually identified, or any potential liability risks to the City that may have arisen on properties. In addition, there may be instances of unapproved change in business operations or unapproved sublease operations. According to DREAM, the City currently does not require lessees to submit rent rolls, which would be an effective way to identify non-approved sublessees timely.

Furthermore, not all leases that include in-water improvements in Mission Bay currently include a Facility Condition Inspection clause that requires the lessee to inspect in-water improvements through a City-approved contractor and complete all maintenance recommended by the inspection report. Given the nature of Mission Bay land—a saltwater bay, the City should improve its oversight and ensure in-water improvements are being properly maintained.

Recommendation 3

To improve oversight and accountability in lease management practices, we recommend:

The Department of Real Estate and Airport Management should conduct and document routine site visits of leased properties on Mission Bay Lands at a minimum frequency of once every 3 years to ensure properties are being well maintained and are being operated in accordance with the lease terms. The documentation should include, but not be limited to:

- Verification that insurance certificates are current;
- Verification that rent adjustments are current;
- Verification that sublease operations are properly approved;
- Condition of the leasehold, based on a visual inspection; and
- Potential safety violations or hazard identified based on a visual inspection.

Should staff identify any violations to lease terms, staff should notify lessees in writing and request they cure the issue. (Priority 2)

Recommendation 4

The Department of Real Estate and Airport Management should require lessees to submit annual rent rolls to the City to allow City staff to reconcile subleases annually and timely identify expiring subleases or non-approved subleases. (Priority 2)

Recommendation 5

The Department of Real Estate and Airport Management should include a Facility Condition Inspection clause in future leases involving in-water improvements to ensure that docks, piers, or marinas are being properly maintained. (Priority 2)

Finding 4: Municipal Code Section 26.30 should be amended to ensure proper representation of Council Districts on the Mission Bay Park Committee.

Mission Bay Park boundaries are within Council Districts 1 and 2.

City of San Diego Council Districts 2 and 6 used to include portions of Mission Bay Park. Appropriately, Municipal Code Section 26.30(c)(3)(A) states, "The Mayor shall appoint three members from nominations submitted by the Councilmember for Council District Two, and three members from nominations submitted by the Councilmember for Council District Six" to serve on the Mission Bay Park Committee.

New Council District boundaries were approved in December 2021 and become effective in November 2022. These new boundaries show that Mission Bay Park is now in Council Districts 1 and 2. To ensure Mission Bay Park Committee members are representative of Mission Bay community interests, the Municipal Code should be amended to reflect geographic representation given redistricting results.

Recommendation 6

To ensure proper representation of Council Districts on the Mission Bay Park Committee, in light of the redistricting, we recommend:

The City should amend Municipal Code Section 26.30 to reflect geographic representation of the Mission Bay community.
(Priority 3)

Finding 5: The majority of both Improvement Fund Oversight Committee members are currently serving under expired terms.

The Municipal Code puts restrictions on Improvement Fund Oversight Committees' membership.

The role of the Mission Bay Improvement Fund Oversight Committee is fulfilled by the Mission Bay Park Committee. Per Municipal Code Section 26.30(c), each committee member shall serve two-year staggered terms for a maximum of eight consecutive years⁴. Similarly, the role of the San Diego Regional Parks Improvement Fund Oversight Committee is fulfilled by the Park and Recreation Board. Per Municipal Code Section 26.30(a), committee members shall serve two-year terms and each member shall serve until their successor is duly appointed and qualified. Each committee has 11 members who serve without compensation.

The Mission Bay Park Committee currently has 1 vacancy, and of the 10 remaining members, 6 are serving under expired terms. The Park and Recreation Board is currently fully staffed, however, 8 members are serving under expired terms. While state law and Council Resolution 000-13 allow committee members whose terms have expired to continue to serve until they are reappointed or replaced, the City's Office of Boards and Commissions should bring routine actions to City Council to re-appoint currently serving members to new terms. These routine reappointment actions ensure proper recognition by City Council of the volunteer service of the members who serve without compensation. It also ensures that these committees remain properly staffed to carry out the responsibilities the citizens have requested under Charter Section 55.2 and that Council has dictated under Municipal Code Section 26.30.

Additionally, Municipal Code Section 26.30(c) requires that an interval of four years must pass before a person who has served eight consecutive years on the Mission Bay Park Committee can be reappointed. We found the Mission Bay Park Committee has

⁴ During last year's audit, we identified one Committee member who served more than 11 years and was not included on the expiring terms document used by the Office of Boards and Commissions. The Office of Boards and Commissions has since then addressed this issue by finding a replacement for the member.

two members that are currently serving beyond eight consecutive years in violation of the Municipal Code. The Office of Boards and Commissions should ensure appropriate staffing for this committee in compliance with the Municipal Code.

Recommendation 7

To ensure Committees are properly staffed in compliance with the City Charter, we recommend:

The Office of Boards and Commissions should bring appointment and reappointment resolutions to City Council on a routine basis and in a timely manner to maintain proper active standing of the members on both the Mission Bay Park Committee and the Park and Recreation Board. (Priority 3)

Finding 6: Some projects are missing reconciliation documentation in the City's financial system of record (SAP).

Invoice reconciliation support documentation is important to identify what work is being performed for each project when an invoice is for multiple projects.

The City's financial records must be properly maintained in its financial system of record (SAP). Those records should allow auditors to trace back invoices to ensure the City is properly paying for work that has been performed and that charges are made to appropriate projects and funding sources. During our review of project expenditures, we identified a few invoices that were allocated to multiple projects. Although these invoices were uploaded to SAP, there was no reconciliation attached to some of the invoices to support the amounts charged to each project. As a result, we were not able to determine whether charges were properly made to each project until we obtained a reconciliation report.

Recommendation 8

To ensure project expenditure accounting is accurate and supported in the accounting system of record (SAP), we recommend:

The Process Narrative for Purchase Order Invoices and Credit Memos (PN-0026) should be updated to ensure that invoices received for multiple projects are supported by reconciliations identifying the allocated amounts to each project. Reconciliations should be uploaded along with the invoices to SAP. (Priority 3)

Conclusion

We found the following:

- The revenues were properly allocated to the Improvement Funds based on the formula in Charter Section 55.2.
- The expenditures charged to the Improvement Funds were appropriate and in accordance with the provisions of Charter Section 55.2.
- Both Improvement Funds are receiving the basic information to carry out their charge; however, some improvements can be made as mentioned in Finding 2.
- Both Improvement Fund Oversight Committees are meeting regularly and in accordance with Charter Section 55.2

We found that \$1,784,368 was transferred from Mission Bay Lease Revenue to the San Diego Regional Parks Improvement Fund (SDRPIF) for capital improvements and there was no lease revenue transferred to the Mission Bay Improvement Fund (MBIF). Based on these transfers plus interest, the total transfers were \$2,00,841 to the SDRPIF and \$646,377 to the MBIF.

There were SDRPIF expenditures of \$6,413,688 in FY2021. Allocations to this fund may be expended only for non-commercial public Capital Improvements for the San Diego Regional Parks and only for park uses. See **Appendix E** for a list of expenditures. We found that the expenditures complied with the Charter requirements.

There were MBIF expenditures of \$4,844,552. Allocations to this fund are used to improve the conditions of the Mission Bay Park Improvement Zone for the benefit and enjoyment of residents and visitors, consistent with the Mission Bay Park Master Plan. See **Appendix F** for a list of expenditures. We found that the expenditures complied with the Charter requirements.

Overall, we found that the City is in substantial compliance with the provisions of Charter Section 55.2. However, improvements can be made by implementing recommendations made in this report to address the following findings:

- Finding 1: More detailed capital project information would be helpful to the Improvement Fund Oversight Committees.
- Finding 2: The City should consider the appropriateness of replenishing Improvement Funds as Improvement Funds have been severely impacted by lost lease revenue due to the COVID shutdown.
- Finding 3: The City does not have documentation to show routine site visits of leased properties are occurring.

- Finding 4: Municipal Code Section 26.30 should be amended to ensure proper representation of Council Districts on the Mission Bay Park Committee.
- Finding 5: The majority of both Improvement Fund Oversight Committee members are currently serving under expired terms.
- Finding 6: Some projects are missing reconciliation documentation in the City's financial system of record (SAP).

Both audit recommendations from the FY2020 Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds have been implemented. They were:

- For the Department of Real Estate and Airport Management to be able to properly manage and monitor the leaseholds located on Mission Bay Boundary lands, we recommend that at a minimum, the Department of Real Estate and Airport Management should analyze the level of resources needed and put a plan in place to ensure adequate resourcing. This may include reallocating existing resources, or an increase to existing staffing levels if justified. (Priority 2)
- We recommend the City's Office of Boards and Commissions immediately find a replacement for the member of the Mission Bay Committee/Mission Bay Improvement Fund Oversight Committee who is currently serving beyond the maximum eight consecutive years, or modify the Municipal Code to clearly allow members of the committee to serve beyond the maximum of eight consecutive years. (Priority 3)

Appendix A: Definition of Audit Recommendation Priorities

DEFINITIONS OF PRIORITY 1, 2, AND 3

AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration's responsibility to establish a target date to implement each recommendation taking into consideration its priority. The City Auditor requests that target dates be included in the Administration's official response to the audit findings and recommendations.

Priority Class ⁵	Description
1	Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place. A significant internal control weakness has been identified.
2	The potential for incurring significant fiscal and/or equivalent non-fiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists. The potential for strengthening or improving internal controls exists.
3	Operation or administrative process will be improved.

⁵The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher priority.

Appendix B: Objectives, Scope, and Methodology

Objectives In accordance with the Office of the City Auditor’s Fiscal Year 2022 Audit Work Plan, we conducted a performance audit of the Mission Bay and San Diego Regional Parks Improvement Funds for fiscal year (FY)2021. Our audit objectives were to verify that the FY2021 collection, allocation, and use of Mission Bay Park lease revenues were properly budgeted, authorized, and expended in compliance with City Charter requirements.

Scope Our scope included lease revenues received during FY2021 from properties located on Mission Bay Park lands, and expenditures recorded during FY2021 to capital projects charged to the Mission Bay Improvement Fund and the San Diego Regional Parks Improvement Fund. In addition, we reviewed the composition and communications during FY2021 of the Mission Bay Improvement Fund Oversight Committee and the San Diego Regional Parks Improvement Fund Oversight Committee. We also reviewed each committee member’s Form 700 (Statement of Economic Interest) in order to identify any potential for a conflict of interest.

Methodology To accomplish our objectives and test internal controls to determine if they are functioning as intended, we performed the following audit procedures:

- Reviewed pertinent laws, policies, and regulations related to Mission Bay Park lease revenues;
- Gathered and analyzed agreements and information related to Mission Bay Park lease revenues;
- Identified, collected, and analyzed financial information including transaction adjustments and management reports related to Mission Bay Park lease revenues;
- Made inquiries with management and key staff in charge of managing and monitoring information related to Mission Bay Park lease revenues;

- Reviewed Mission Bay Park and San Diego Regional Parks Improvement Fund Oversight Committee minutes, agendas, Form 700's, and related bylaws;
- Analyzed the quality and sufficiency of the reporting to the Oversight Committees;
- Verified the calculation and reporting of project expenditures; and
- Followed up on any outstanding recommendations from prior reports.

Data Reliability Testing

We did not test the reliability of the City's financial reporting system as it is the system of record for preparation of the Annual Comprehensive Financial Report and is therefore audited each year by the independent audit firm for those annual statements.

We did make inquiries of management to ensure the systems utilized by the Department of Real Estate & Airport Management have not been updated or changed from prior years. Since this is an annual audit and there were no changes to the systems from prior years, there was no need to conduct data reliability testing.

**Internal Controls
Statement**

Our review of internal controls was limited to those controls relevant to the audit objectives described above. Specifically, we reviewed City Charter and Municipal Code requirements; reviewed policies and procedures documents; interviewed department management; reviewed financial reports and exported data from City systems; and reviewed agendas and minutes from Oversight Committees to ensure compliance with laws and procedures.

Compliance Statement

We conducted this performance 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C:

Prior Year's Mission Bay and San Diego Regional Parks Improvement Funds Financial Activity

As of June 30, 2020

	Mission Bay Revenues	Regional Park Revenues
Fiscal Year	Revenues [1]	Revenues [1]
2010	\$ 115,603	\$ 1,708,236
2011	\$ 40,859	\$ 1,753,292
2012	\$ 2,449,130	\$ 2,534,109
2013	\$ 5,373,254	\$ 2,525,338
2014	\$ 4,302,753	\$ 2,538,998
2015	\$ 7,100,046	\$ 2,555,608
2016	\$ 10,531,043	\$ 3,511,501
2017	\$ 6,622,302	\$ 3,595,326
2018	\$ 8,654,483	\$ 4,604,147
2019	\$ 8,176,992	\$ 4,315,001
2020	\$ 3,333,430	\$ 3,831,994
Total as of June 30, 2020	\$ 56,699,895	\$ 33,473,550
	Expenditures [2]	Expenditures [2]
2010	\$ -	\$ -
2011	\$ -	\$ -
2012	\$ -	\$ 313,640
2013	\$ -	\$ 408,680
2014	\$ -	\$ 742,897
2015	\$ 171,848	\$ 1,554,596
2016	\$ 73,479	\$ 1,250,638
2017	\$ 472,168	\$ 1,040,585
2018	\$ 6,266,591	\$ 2,756,468
2019	\$ 3,596,424	\$ 3,363,902
2020	\$ 7,346,290	\$ 7,487,376 ⁶
Total as of June 30, 2020	\$ 17,926,800	\$ 18,918,782
Available balance June 30, 2020	\$ 38,773,095	\$ 14,554,768

[1] Excludes unrealized gains and losses. [2] Excludes depreciation.

Source: OCA generated based on SAP financial data.

⁶ DOF Reduction Adjustment by \$1,430 for Pre-Charter Expenditures in FY2020

Appendix D:

Fiscal Years 2021 and 2020 Mission Bay Park Lease Revenue and Location Map

Lessee	Revenue Amount FY 2021	Revenue Amount FY 2020	Change
1. Sea World Inc	\$3,998,167	\$7,722,603	\$ (3,724,436)
2. LHO Mission Bay Rosie Hotel (SD Mission Bay Resort)	2,892,063	3,627,014	(734,951)
3. CHSP Mission Bay (Hyatt Regency MB Spa and Marina)	2,746,590	3,553,352	(806,762)
4. Pebblebrook Hotel Trust (Paradise Point Resort)	2,014,432	158,773	1,855,659
6. Campland, LLC	1,347,053	1,213,096	133,957
7. Seaforth Sportfishing Corporation	1,308,776	1,211,692	97,084
8. Bartell Hotels (The Dana on MB)	805,180	1,181,724	(376,544)
9. Marina Village	663,788	807,797	(144,010)
11. Driscoll Mission Bay LLC	634,501	603,083	31,418
13. Wesco Sales Corp (Dana Landing)	592,285	394,445	197,841
10. Northeast MB, LLC (De Anza RV Park)	555,207	446,542	108,666
12. Mission Bay Yacht Club	443,301	442,443	858
14. Mission Bay Sports Center	365,929	349,513	16,416
15. Mission Bay Boat & Ski Club (Rose Creek)	151,950	151,641	309
16. Sportsmen's Seafood Co Inc	144,809	113,174	31,635
5. BH Partnership (Bahia Resort Hotel)	122,566	2,004,107	(1,881,541)
20. San Diego Parasail Adventures Inc	100,149	39,908	60,241
4. LHO Mission Bay Hotel, L.P. (Paradise Point Resort)	94,432	3,426,589	(3,332,157)
17. Everingham Bros Bait Co (Quivira Basin)	89,148	94,850	(5,702)
18. Braemar Partnership (Catamaran Pier & Adjacent Beach area)	80,813	60,992	19,821
19. Associated Students SDSU/Regents Of UCSD	54,860	58,811	(3,950)
Verizon Wireless - Mission Bay Athletic Area	45,132	43,606	1,526
Sprint PCS - Mission Bay Athletic Area	44,485	42,980	1,504
San Diego Rowing Club/Intercollegiate Rowing	36,456	43,754	(7,297)
10. De Anza RV Park	35,289	759,705	(724,416)
Verizon Wireless VAW (Quiveira Rd & W MB Drive)	11,781	11,487	294
Canoe & Kayak Team (MB Park/Fiesta Island)	5,615	5,204	411
SD Dragon Boat Team	4,856	5,744	(888)
SD Alliance for Asian Pacific	2,460	2,463	(3)
Kapolioka' Ehukai Outrigger Canoe Club	2,460	2,463	(3)

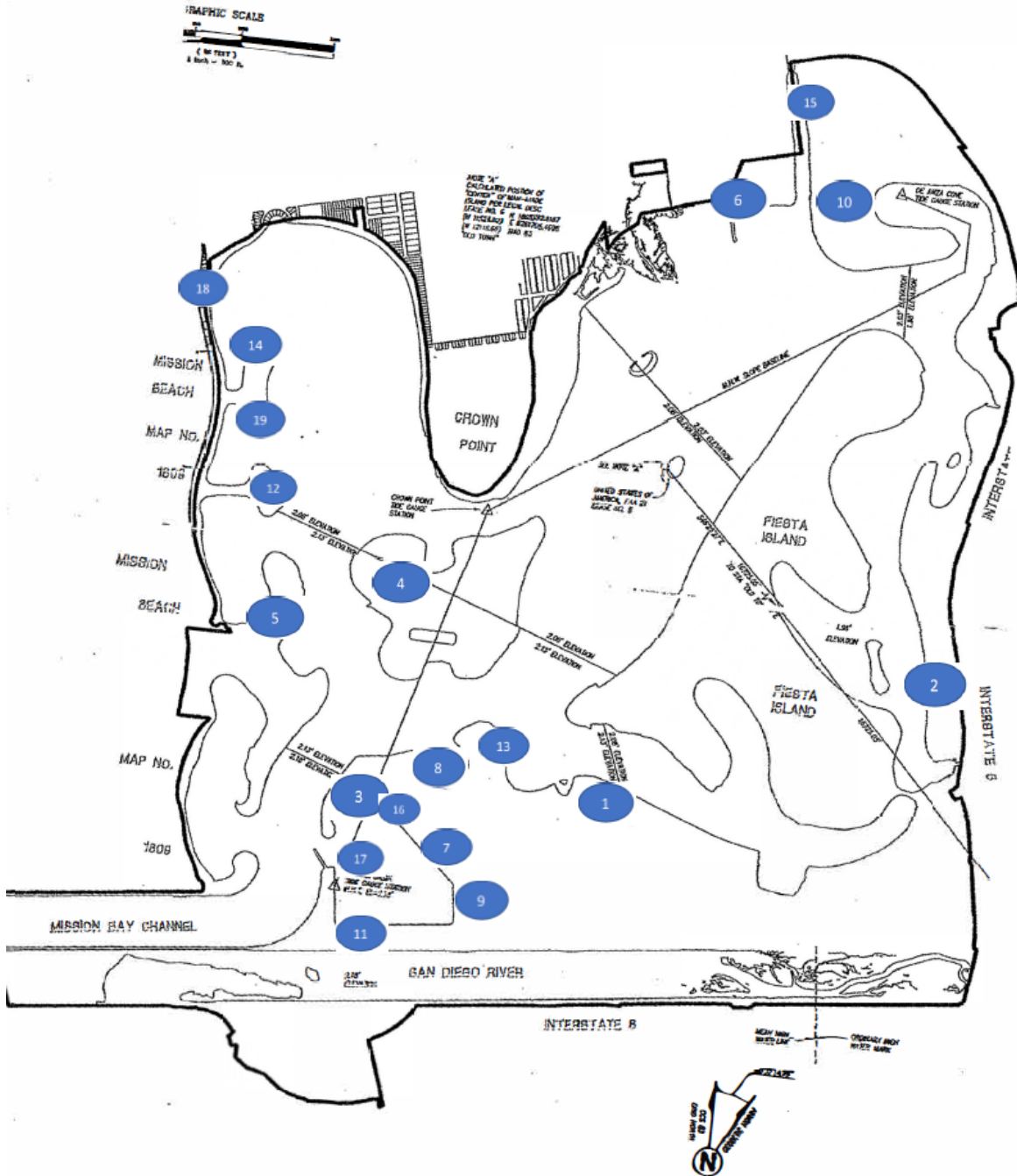
Performance Audit of the Mission Bay and San Diego Regional Park Improvement Funds,
Fiscal Year 2021

Kai Elua Outrigger Canoe Club	2,296	1,160	1,136
Shoreline Mission Bay, LLC (Visitor Center)	0	35,000	(35,000)
Grand Total	\$ 19,396,829	\$ 28,615,713	\$ (9,218,884)
Adjustments to accruals entries	2,387,539	(2,735,791)	5,123,330
Adjusted total lease revenue	\$ 21,784,368	\$ 25,879,922	\$ (4,095,553)
Threshold	(20,000,000)	(20,000,000)	0.00
Revenues exceeding the threshold	\$ 1,784,368	\$ 5,879,922	\$ (4,095,553)
Transfer to San Diego Regional Park Improvement Fund	\$ 1,784,368	\$ 3,500,000	\$ (1,715,632)
Transfer to Mission Bay Improvement Fund	\$ -	\$ 2,379,922	\$ (2,379,922)

Source: OCA generated based on information from the Department of Finance.

Appendix D Continued:

Mission Bay Park Land Boundary – Lease Location Map *(Numbers correspond with numbering of leases from the table on previous page)*



Note: Numbers correspond with numbering of leases from the table on previous page.

Source: OCA generated based on google map search of lease locations.

Appendix E:

San Diego Regional Park Improvement Fund Project Expenditures for Fiscal Year 2021

Projects	Purpose	Expenditures FY2021 [1]
New project expenditures:		
Air & Space Museum Roof Replacement	This project provides for the replacement of the Air & Space Museum Roof. Air & Space Museum Building is located in Palisades area of Balboa Park.	\$82,999.12
Balboa Park Comfort Stations Improvements	This project would provide for the design and construction of improvements/replacements for comfort stations located in Balboa Park.	7,354.08
Balboa Park Club Renovations	This project provides for improvements at Balboa Park Club, including stucco repairs, and replacement of damaged wood windows and peeler logs.	89,992.81
Ongoing project expenditures:		
California Tower Seismic System Upgrade	Seismic retrofit of the historic California Tower within Balboa Park. Phase 1 is the relocation of electrical systems housed in the bottom floor of the tower in order to reinforce the walls of the room. Phase 2 is the seismic upgrade of the tower.	14,501.89
Demolition of Loma Land Structures	This project provides for the removal of existing houses located on parkland.	1,212.86
Hillside Drainage Improvements	This project provides for drainage improvements at Sunset Cliffs Natural Park, restoration of natural areas to allow water percolation, and installation of site appropriate drainage devices.	106,821.53
Chollas Lake Improvements	The first priority project is to provide electrical service to the park which will allow extended use of the park and provide a higher level of security.	72,968.16
Narragansett Avenue Access	This project is for Narragansett Avenue Beach Access.	21,350.49
Santa Cruz Avenue Access Stairs and Walkway	This project is for Santa Cruz Avenue Beach Access stairs and Walkway.	66,841.91

**Performance Audit of the Mission Bay and San Diego Regional Park Improvement Funds,
Fiscal Year 2021**

Mohnike Adobe & Barn Restore	This project provides for the rehabilitation/restoration of the historic adobe and hay barn located within the 14-acre Rancho Penasquitos Equestrian Center on the eastern end of the Los Penasquitos Canyon Preserve.	1,904.90
Beach Access - Orchard Avenue, Capri by the Sea and Old Salt Pool	This project provides for coastal infrastructure improvements.	17,082.43
Bermuda Ave Coastal	This project provides reconstruction of stairway and seawall.	183,167.40
Casa De Balboa Fire Alarm System	This project provides for the replacement of the Fire Alarm System at Casa de Balboa.	76,306.58
Balboa Park Bud Kearns Aquatic Complex Improvements	Complex improvements including pool, mechanisms, fencing, accessibility, etc.	1,735,592.80
Junipero Serra Museum ADA Improvements	This project provides ADA access to the Junipero Serra Museum within Presidio Park.	103,353.94
EB Scripps Park Comfort Station Replacement	This project provides for a replacement comfort station located in EB Scripps Park adjacent to La Jolla Cove.	2,025,837.29
Balboa Park West Mesa Comfort Station Replacement	This project provides for two replacement comfort stations on the West Mesa of Balboa Park.	768,788.40
Sunset Cliffs Natural Park Ph I Revegetation	This project will complete improvements to the hillside portion of the Sunset Cliffs Natural Park. Phase I includes the revegetation of an area of the Dixon Estate structures within the Sunset Cliffs Natural Park as well as the implementation of a trail.	8,365.58
Sunset Cliffs Natural Park Ph II Trail & Revegetation	This project will complete improvements to the hillside portion of the Sunset Cliffs Natural Park, consisting of construction of trails, habitat restoration, erosion control, removal of houses within the park, and the removal and return to natural vegetation of the softball field.	520,765.44

**Performance Audit of the Mission Bay and San Diego Regional Park Improvement Funds,
Fiscal Year 2021**

Ocean Beach Dog Beach Access	The project scope of work calls for the ADA upgrades to primary path of travel: accessibility from the parking lot to the San Diego River Pathway, from there continue path of travel down the beach, sloped sidewalks and high curb walls, and adjust K-rails at existing parking. In addition, a demolition and rebuilding of the existing sidewalk to provide a more robust foundation to prevent movement and to add walls to prevent sand migrating onto the walking surface for pedestrian safety.	122,307.55
Cowles Mountain Comfort Station Access	The project scope of work is for the replacement of a comfort station and the addition of a sewer lateral to eliminate an existing sewer pump.	18,848.13
Balboa Park Botanical Building	The project will restore the existing building to its original 1915 design. This project will also provide a maintenance yard at the North West corner of the Botanical Building.	367,324.44
Total Fiscal Year 2021 expenditures		\$6,413,687.73

Source: OCA generated based on Improvement Fund Oversight Committee Projects approval and SAP expenditure data.

Appendix F:

Mission Bay Improvement Fund Project Expenditures for Fiscal Year 2021

Projects	Purpose	Expenditures FY2021 [1]
Ongoing project expenditures:		
ADACA Crown Point	ADA Improvements at Crown Point	\$12,336.92
Hospitality Point Parking Lot Improvement	Parking lot improvements	34,376.60
Robb Field Parking Lot Improvements	Parking lot improvements	88,550.60
Dusty Rhodes Parking Lot Improvements	Parking lot improvements	28,720.39
Robb Field Turf & Irrigation Improvement	Turf & Irrigation Improvements	21,058.34
Playa Pacifica Plygrnd & Basketball Crt	Playground and Basketball Court Improvements	19,123.49
Robb Field Comfort Station Imp	Replacement and upgrade of comfort station.	25,287.44
Robb Field Playground	Playground Improvements	18,999.70
Robb Field Recreation Center	Replacement of the Recreation Center	40,933.70
Robb Field Gateway Path	Complete the walkway from the NW corner of Sunset Cliffs Blvd. to West Pt Loma Blvd. and the Ocean Beach Athletic Area.	100,653.41
DeAnza NE Pking Lot	Parking lot improvements	31,302.40
Mission Bay Dredging	This project provides for dredging of Mission Bay, which is necessary for boat navigation.	21,651.26
Mission Bay EIR	This project is for the Environmental Impact Report for Mission Bay Projects.	977,418.10
Mission Bay Athletic - Comfort Station	Replacement and upgrade of comfort station.	97,618.26
DeAnza North Parking Lot Imp	Parking lot improvements	93,590.98
Old Sea World Drive Parking Lot Imp	Parking lot improvements	39,338.62
Adult Fitness Course East Shore	Construct the fitness course improvements.	80,886.78

**Performance Audit of the Mission Bay and San Diego Regional Park Improvement Funds,
Fiscal Year 2021**

El Carmel Comfort Station Imp	Replacement and upgrade of comfort station.	73,793.53
Ventura Comfort Station Imp	Replacement and upgrade of comfort station.	66,966.32
Bonita Cove Playground Imp	Improvements and Replacement of playground equipment	826,109.95
Bonita Cove Comfort	Replacement and upgrade of comfort station.	80,785.57
Tecolote North Parking Lot Imp	Parking lot improvements	52,873.63
Tecolote North Playground Imp	Improvements and Replacement of playground equipment	98,678.11
Tecolote North Comfort Station Imp	Replacement and upgrade of comfort station.	92,540.81
North Cove Comfort Station Imp	Replacement and upgrade of comfort station.	125,727.26
OB Dog Beach Accessibility Improvements	The project scope of work calls for the ADA upgrades to primary path of travel: accessibility from the parking lot to the San Diego River Pathway, from there continue path of travel down the beach, sloped sidewalks and high curb walls, and adjust K-rails at existing parking. In addition, a demolition and rebuilding of the existing sidewalk to provide a more robust foundation to prevent movement and to add walls to prevent sand migrating onto the walking surface for pedestrian safety.	535,204.76
Tecolote South Comfort Station Imp	Replacement and upgrade of comfort station.	60,562.32
Tecolote South Playground Improvements	Improvements and Replacement of playground equipment	63,717.48
Tecolote South Parking Lot Improvements	Parking lot improvements	38,197.51
Crown Point Playground Improvements	Improvements and Replacement of playground equipment	148,861.42
Crown Point Parking Lot Improvements	Parking lot improvements	92,533.41
Santa Clara Playground Improvements	Improvements and Replacement of playground equipment	151,681.15
Santa Clara Comfort Station Improvements	Replacement and upgrade of comfort station.	116,850.60
Beautification of Traffic Island Group 1	This project provides for the study of signage (monument and wayfinding) and	86,296.65

**Performance Audit of the Mission Bay and San Diego Regional Park Improvement Funds,
Fiscal Year 2021**

	associated landscaping for Mission Bay Park.	
Sunset Point Parking Lot Improvements	Parking lot improvements	53,883.33
Santa Clara Pt South Parking Lot Improvements	Parking lot improvements	37,776.50
Playa Pacific No Parking Lot Improvements	Parking lot improvements	26,340.90
Rose Marie Starns So Parking Lt Improvements	Parking lot improvements	55,804.05
Playa Pacifica Comfort Station Imp	Replacement and upgrade of comfort station.	21,219.04
Sunset Point Comfort Station Imp	Replacement and upgrade of comfort station.	28,729.49
Bonita Cove East Comfort Station Imp	Replacement and upgrade of comfort station.	39,094.09
Bonita Cove East Playground	Improvements and Replacement of playground equipment	33,753.75
Hospitality Point Comfort Station Imp	Replacement and upgrade of comfort station.	56,586.37
Dusty Rhodes Comfort Station Improvement	Replacement and upgrade of comfort station.	28,002.86
Dusty Rhodes Playground	Improvements and Replacement of playground equipment	20,134.28
	Total Fiscal Year 2021 expenditures	\$4,844,552.13

Source: OCA generated based on Improvement Fund Oversight Committee Projects approval and SAP expenditure data.



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: July 29, 2022

TO: Andy Hanau, City Auditor, Office of the City Auditor

FROM: Jay Goldstone, Chief Operating Officer

SUBJECT: Management Response to the Office of the City Auditor's Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2021

This memorandum serves as the management response to the Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2021 (Performance Audit.) At the time this response was written, the draft Performance Audit provided to management contained six findings and eight recommendations directed to five departments: Department of Finance, Department of Real Estate and Airport Management (DREAM), Engineering & Capital Projects, Office of Boards and Commissions, and Parks and Recreation.

Department staff and management appreciate the Performance Audit prepared by the Office of the City Auditor and thank the staff involved. Management agrees with all recommendations within the Performance Audit and notes that several of the recommendations have already been implemented or are in-process. This response also highlights for some recommendations, an initial implementation target date but also recognizes that the improvements suggested are not static and will need to be ongoing (Recommendations 4, 5, and 7.)

RECOMMENDATION 1: To enhance Committees' ability to carry out their oversight responsibilities under Charter Section 55.2, we recommend the Engineering & Capital Projects and the Parks and Recreation Departments should enhance the detail of capital project information provided to the Improvement Fund Oversight Committees. Whenever a request is made to increase funding/budget of a project that requires committee approval, detailed project estimates including factors driving cost increases should be provided to the committees. Additionally, this information should also be provided to the committees once a year for each project requesting new funding in the coming fiscal year. (Priority 2)

Management Response: Management agrees with the recommendation and have already implemented this by greatly enhancing reports staff provides to each oversight committee. Early in 2022, both oversight committee chairpersons requested staff provide additional information about the projects in a comprehensive format. To meet this need, which is also specified in the audit recommendation, the Parks and Recreation Department worked with Engineering and Capital Projects Department to develop a more comprehensive presentation

that expands on key project information including scope, financials, schedule, and status. The goal is to offer this report at least two times each year.

Engineering and Capital Projects Department staff presented the overviews to address any project-specific questions. The first such report was presented to the two oversight committees in June 2022: staff presented to the Mission Bay Improvement Fund Oversight Committee on June 7, 2022, and the Regional Park Improvement Fund Oversight Committee on June 16, 2022. Links to the reports are here:

- <https://www.sandiego.gov/sites/default/files/mbpifocagenda20220607-item302.pdf>
- <https://www.sandiego.gov/sites/default/files/prbr20220616b-item201.pdf>

When new funding requests are made, reports will show the project scope, financials, schedule, and status, much like the semi-annual update. This includes both mid-year funding allocation requests and development of the upcoming fiscal year budget.

Target Implementation Date: June 2022

RECOMMENDATION 2: To ensure proper considerations are given to replenish Improvement Funds, we recommend the Department of Finance (DoF) present an option to compensate the improvement funds for lost revenue to the Mayor for consideration as part of the mid-year budget update. (Priority 1)

Management Response: Management agrees with the recommendation. The Department of Finance will evaluate replenishing the Park Improvement Funds after considering the Mayor and Council's budgetary priorities and in compliance with the use of COVID-19 federal relief funds. This information will be presented to the Mayor for consideration for a potential Fiscal Year 2023 budget amendment. If approved by the Mayor, the budget amendment will be included in the Fiscal year 2023 Mid-year Quarterly Budget Monitoring Report for Council consideration.

Target Implementation Date: February 2023

RECOMMENDATION 3: The Department of Real Estate and Airport Management should conduct and document routine site visits of leased property on Mission Bay Lands at a minimum frequency of once every 3 years to ensure properties are being well maintained and are being operated in accordance with the lease terms. The documentation should include, but not be limited to:

- Verification that insurance certificates are current
- Verification that rent adjustments are current
- Verification that sublease operations are properly approved
- Condition of the leasehold, based on a visual inspection
- Potential safety violations or hazard, identified, based on a visual inspection

Should staff identify any violations to lease terms, staff should notify lessees in writing and request they cure the issue. (Priority 2)

Management Response: Management agrees with the recommendation. DREAM will conduct routine site visits with a minimum frequency of once every 3 years for leased properties on Mission Bay Lands. Site visits will include the recommended visual site inspections to ensure

lease compliance in accordance with the list included in Recommendation 4, however these inspections will not be technical.

Target Implementation Date: July 1, 2025

RECOMMENDATION 4: The Department of Real Estate and Airport Management should include requirements for lessees to submit annual rent rolls to the City to allow City staff to reconcile subleases annually and identify expiring subleases or non-approved subleases timely. (Priority 2)

Management Response: Management agrees with the recommendation. DREAM will work with the City Attorney's Office to draft language requiring rent rolls in new leases or amendments to leases, as appropriate.

Target Implementation Date: July 1, 2024 (and ongoing)

RECOMMENDATION 5: The Department of Real Estate and Airport Management should include Facility Condition Inspection clause in future leases involving in-water improvements to ensure that docks, piers or marinas are being properly maintained. (Priority 2)

Management Response: Management agrees with the recommendation. DREAM will work with the City Attorney's Office to draft language requiring Facility Condition Inspection clauses, as applicable, to future long-term leases that have in-water improvements.

Target Implementation Date: July 1, 2024 (and ongoing)

RECOMMENDATION 6: To ensure proper representation of Council Districts on the Mission Bay Park Committee in light of the redistricting, we recommend the City should amend Municipal Code Section 26.30 to reflect geographic representation of the Mission Bay community.

Management Response: Management agrees with the recommendation. Office of Boards and Commissions has begun the process of amending the Municipal Code to reflect the impending redistricting changes.

Target Implementation Date: November 1, 2022

RECOMMENDATION 7: To ensure Committees are properly staffed in compliance with the City Charter, we recommend the Office of Boards and Commissions should bring appointment and reappointment resolutions to City Council on a routine basis and in a timely manner to maintain proper active standing of the members on both the Mission Bay Park Committee and the Park and Recreation Board. (Priority 3)

Management Response: Management agrees with the recommendation. Office of Boards and Commissions staff are working closely with Council offices to ensure nominations are submitted to the Mayor in a timely manner, offering the pool of applicants needed for the selection process outlined in the Municipal Code.

Target Implementation Date: November 1, 2022 (and ongoing)

Page 4

Andy Hanau, City Auditor, Office of the City Auditor
July 29, 2022

RECOMMENDATION 8: To ensure project expenditure accounting is accurate and supported in the accounting system of record (SAP), we recommend the Process Narrative for Purchase Order Invoices and Credit Memos (PN-0026) should be updated to ensure that invoices received for multiple projects are supported by reconciliations identifying the allocated amounts to each project. Reconciliations should be uploaded along with the invoices to SAP. (Priority 3)

Management Response: Management agrees with the recommendation. The Department of Finance will update the Process Narrative for Purchase Order Invoices and Credit Memos (PN-0026) requiring that invoices received for multiple projects are supported by reconciliations identifying the allocated amounts to each project and that such reconciliations be uploaded along with the invoices to SAP.

Target Implementation Date: December 2022

Thank you for the opportunity to provide responses to these recommendations. Management appreciates your team's professionalism throughout this review.

Thank you,



Jay Goldstone
Chief Operating Officer

JG/cmjg

cc: Paola Avila, Chief of Staff, Office of the Mayor
Charles Modica, Independent Budget Analyst
Matthew Vespi, Chief Financial Officer
David Nisleit, Chief, Police Department
Colin Stowell, Chief, Fire-Rescue Department
Alia Khouri, Deputy Chief Operating Officer
Kris McFadden, interim Deputy Chief Operating Officer
Kristina Peralta, Deputy Chief Operating Officer
Jessica Lawrence, Director of Policy, Office of the Mayor
Chida Warren-Darby, Director of Appointments, Office of the Mayor
Christiana Gauger, Chief Compliance Officer, Compliance Department
Rania Amen, Director, Engineering & Capital Projects
Rolando Charvel, Director and City Comptroller, Department of Finance
Andy Field, Director, Parks and Recreation Department
Penny Maus, Director, Department of Real Estate and Airport Management
Kristi Geitz, Deputy Director, Compliance Department