

# Proposed Response to Grand Jury Report:

## “City of San Diego Corporate Partnership Development Program”

IBA Report 18-31

City Council

October 15, 2018

Item 201



Independent Budget Analyst



## This report focuses on management practices and administration of the Corporate Partnership Development Program.

- The Grand Jury filed this report on June 4, 2018.
- The report includes 9 findings & 3 recommendations directed to the Mayor & City Council.
  - Grand Jury Findings are numbered 01-10, but the report does not include a Finding 08.
- An extension of the original due date (Sept 3, 2018) was requested/granted.
  - The response is now due to the Superior Court Presiding Judge by Nov 30, 2018.

## Prescribed Grand Jury Responses

- For each Finding:
  - Agree
  - Disagree wholly or partially
- For each Recommendation:
  - Has been implemented
  - Has not yet been implemented, but will be
  - Requires further analysis
  - Will not be implemented because it is not warranted or is not reasonable

## Findings 01 & 02

*Finding 01: Policy 000-40 does not list all types of sponsorship agreements.*

***Proposed Response: Agree***

*Finding 02: The audit was unable to determine whether all agreements under the Program had been identified.*

***Proposed Response: Partially disagree***

- CPD provided the auditors a comprehensive list of marketing partnership agreements.
- In addition, the auditors were provided a revenue and in-kind tracking report for the last five years, from which they selected agreements to examine.

## Finding 03

*Finding 03: CPD does not comply with the MMP requirement to track and report on all marketing partnerships developed by City departments on a quarterly basis.*

### **Proposed Response: Agree**

- This requirement has been addressed in the revised Marketing Partnership Policy [if the Policy has been approved before this response; otherwise response will say “will be” addressed within 6 months].
- CPD will be obtaining marketing partnership information from departments for agreements valued at \$25,000 or greater and will be including such information in annual reports.

## Finding 04

*Finding 04: The lack of a requirement for disclosure increases the risk that an agreement could create a conflict of interest, or the appearance of one.*

### **Proposed Response: Agree**

- This requirement has been addressed in the revised Marketing Partnership Policy and updated Request for Sponsorship (RFS) form [if the Policy has been approved before this response].
  - RFSs will require disclosure of any conflicts of interest.
  - If an RFS is not issued, agreements will address compliance with required disclosures.
- [Alt. response if Policy is not approved before this Grand Jury response: Policy “will be” revised for this requirement within 6 months.]

## Finding 05

*Finding 05: The disposition schedule does not require CPD to maintain project records for at least the life of the agreement.*

### **Proposed Response: Disagree**

- The CPD disposition schedule requires project records for contracts/agreements not approved by Council to be maintained for five years after the contract/agreement ends.
- Project records for contracts/agreements approved by Council must be kept permanently.

## Finding 06

*Finding 06: CPD files on some agreements are incomplete.*

### **Proposed Response: Partially disagree**

- CPD maintains complete documentation for its agreements and does not believe its agreement files are inadequate.
- There is one exception for the Waxie agreement, for which the San Diego County auditors noted that there was not an executed agreement.
- The revenue was tracked in the City's financial system, and related documentation is on file with CPD.



## Finding 07

*Finding 07: CPD lacks a process for determining the net benefits of agreements.*

### **Proposed Response: Disagree**

- CPD does not enter into agreements that do not have an inherent net benefit to the City.
- Each agreement is unique, and the foundation of each partnership is the value to the City, which is carefully reviewed and negotiated by CPD.
- Additionally, marketing partnerships agreements are often reviewed and approved by the City Council, which also considers the value to the City.

## Findings 08 Through 10

*Finding 08:* The Grand Jury report does not include a Finding 08.

*Finding 09:* *Failure to adequately describe the sponsorship opportunity could reduce the number of potential respondents.*

***Proposed Response: Agree***

*Finding 10:* *Failure to identify the responsible administrative department can result in lack of accountability in managing an agreement, including lost revenue.*

***Proposed Response: Agree***

## Recommendation 18-34

*Update City Council Policy 000-40 to:*

- Include all the types of agreements considered by the CPD Program.*
- Require CPD to keep current and accurate records of all agreements, regardless of which department administers them.*
- Require CPD to document actual revenue collected from each sponsor/partner.*
- Require CPD's accounting to distinguish revenue generated from an agreement's net monetary benefits versus the value of non-revenue items.*
- Require respondents to RFSs to identify potential conflicts of interest.*
- Clarify CPD's reporting requirements on the Program.*

## Recommendation 18-34 (con't)

### **Proposed Response:**

**The recommendation has been implemented.**

*[If the Council Policy has been revised by the time the response to the Grand Jury report has been approved]*

*[OR, if the Council Policy has not been revised by the time the response to the Grand Jury report has been approved:]* **The recommendation has not yet been implemented but will be implemented in the future.**

## Recommendation 18-34 (con't)

Updated Council Policy 000-40:

- Includes updated definition of marketing partnership agreements.
- Other departments will be providing CPD with annual marketing partnership information for agreements valued at \$25,000 or greater, and CPD will be including such information in annual reports.
- Addresses tracking and reporting partnership benefits, including net revenue, in-kind values, and non-monetary benefits over the course of the agreement.

## Recommendation 18-34 (con't)

Updated Council Policy 000-40:

- Includes a requirement for disclosure of conflicts of interest.
- The revised Council Policy does not require CPD to retain records on agreements that are not under its purview. In such cases, the appropriate departments should keep current documentation and records of agreements.

## Recommendations 18-35 & 18-36

*18-35: Update the CPD Records Disposition Schedule to require CPD to retain all agreement files for the full term of the agreement, plus five years.*

**Proposed Response: The recommendation has been implemented.**

Text refers the reader to the response to Finding 05.

*18-36: Ensure that all City employees administering CPD agreements receive adequate training in contract administration.*

**Proposed Response: The recommendation has been implemented.**

CPD has developed such training and will provide it on an as-needed basis.

## Previous & Next Steps

- The Budget & Government Efficiency Committee reviewed the proposed response at its Sep 20, 2018 meeting.
  - It moved the proposed response to the full City Council.
- Requested Council Actions
  - Approve and adopt the proposed response.
  - Authorize the Council President to execute and deliver the response to the Superior Court by Nov 30, 2018.