
**Performance Audit of
Balboa Park Celebration, Inc.**

**RESPONSES TO KEY QUESTIONS PERTAINING TO
BALBOA PARK CELEBRATION, INC.**

OCTOBER 2014

Audit Report

Office of the City Auditor
City of San Diego



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THE CITY OF SAN DIEGO

October 1, 2014

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

Transmitted herewith is a performance audit report on the Balboa Park Celebration, Inc. This report was conducted in accordance with the City Auditor's Fiscal Year 2014 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. The Results in Brief are presented on page 1. Audit Objectives, Scope, and Methodology are presented in Appendix A.

We would like to thank staff from the Department of Economic Development, Office of Special Events, Office of the City Attorney, and Balboa Park Celebration, Inc. for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff members responsible for this audit report are Kevin Christensen, Megan Garth, Matthew Helm, and Kyle Elser.

Respectfully submitted,

Eduardo Luna
City Auditor

cc: Scott Chadwick, Chief Operating Officer
Stacey LoMedico, Assistant Chief Operating Officer
David Graham, Deputy Chief Operating Officer, Neighborhood Services
Herman Parker, Director, Park & Recreation
Gerry Braun, Transition Director, Balboa Park Celebration, Inc.
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst
Brian Pepin, Director of Council Affairs

OFFICE OF THE CITY AUDITOR
1010 SECOND AVENUE, SUITE 555, WEST TOWER • SAN DIEGO, CA 92101
PHONE (619) 533-3165 • FAX (619) 533-3036

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Results in Brief

The Centennial Celebration (Celebration) of the 1915 Panama-California Exposition held in Balboa Park was intended to be an event of immense scale that would increase civic pride, increase tourism, and provide a significant economic benefit to the City of San Diego (City). In November 2011, the City executed a Memorandum of Understanding (MOU) and Funding Agreement with Balboa Park Celebration, Inc. (BPCI), a newly-formed non-profit organization, to carry out all aspects of the celebration on behalf of the City. However, BPCI was unable to fulfill its intended mission and the City terminated the contractual relationship with BPCI in May 2014.

In an April 8, 2014 memorandum, the Chairman of City Council's Committee on the Environment requested that we undertake an audit of BPCI.¹ The memorandum cited concerns regarding BPCI's use of public funds. The committee chairman requested that we ascertain whether: 1) BPCI misused public funds; 2) BPCI fully complied with the MOU and Funding Agreement; and 3) any third-party vendors or consultants received payments from BPCI, but did not provide agreed-upon services or deliverables.

In addition, we examined the adequacy of City oversight regarding BPCI, and assessed other factors that may have adversely affected BPCI's ability to fulfill its mission. Our results are summarized below and discussed in greater detail in the body of our report.

To address these questions we reviewed BPCI's report submissions to the City, extensive documentation regarding BPCI's planning and operations, all BPCI third-party contracts and available deliverables, BPCI's financial information, and conducted numerous interviews with City staff and BPCI consultants and executives. We had full access to BPCI's documents and data files, and had complete cooperation from all interviewees.

¹ At the April 7, 2014 Audit Committee meeting, the Committee unanimously voted that we perform an audit and performance review of BPCI.

1. Did BPCI Misuse Public Funds? The Funding Agreement between the City and BPCI set forth how BPCI was to expend public funds for planning, organizing, and implementing the Celebration. In our analysis of BPCI's expenditures, we found that BPCI complied with the Funding Agreement's use of funds requirements. Between FY 2012 and FY 2014, BPCI received total funding of about \$3 million, of which approximately \$1.6 million was provided through various City funding sources. The allowable expenditures set forth in the Funding Agreement were very broad. Some of the allowable expenses outlined in the Funding Agreement included planning, development, general administration, programming, special event production, operations, marketing, contractors, service providers, and employees. The Funding Agreement also required BPCI to provide quarterly financial reports to the City's Economic Development Department (Economic Development) detailing BPCI's use of funds so that Economic Development could ensure BPCI's compliance with the Agreement. As noted above, BPCI's expenditures and reporting complied with these portions of the agreements.

2: Did BPCI Fully Comply with the MOU and Funding Agreement? The Funding Agreement between the City and BPCI was made with reference to and reliance upon the MOU. Our analysis focused on both interrelated documents. We found that BPCI did not consistently comply with the section of the Funding Agreement governing procedures for procurement of goods and services in its relations with several contractors hired to assist in the planning and execution of the Celebration. The City Charter, Municipal Code, Council Policies, and Administrative Regulations set forth general requirements for competitive bidding to ensure fair practices in the awarding of City Contracts. BPCI's specific obligation to abide by certain City requirements are set forth in the Funding Agreement, which outlines specific procedural requirements when procuring goods and services. Specifically, contracts with a value of less than \$5,000, between \$5,000 and \$25,000, and more than \$25,000, had increasingly stringent procedural requirements prior to execution based on the value. We found several instances where BPCI awarded contracts without going through the required procurement processes.

Additionally, we found some other areas where BPCI did not fully comply with certain portions of the MOU. Specifically, BPCI was late in providing certain deliverables required by the MOU, although most required deliverables were provided on time. Further, we found that the MOU requirement pertaining to presentations to City

Council's Natural Resources and Culture Committee was not fully met.

3: Did Any Third-Party Vendors or Consultants Receive Payments from BPCI, but Did Not Provide Agreed-Upon Services or Deliverables?

We found that, based on the sometimes broad scopes of work set forth in the contracts, BPCI vendors and consultants delivered on the agreed-upon goods and services. We reviewed the deliverables received from BPCI's highest paid consultants and executives. Payments to the top 10 highest paid consultants and executives comprised about two-thirds of BPCI's total expenditures.

4: Did the City Provide Adequate Oversight Regarding BPCI?

We found that City staff had limited oversight over BPCI regarding the MOU and Funding Agreements. The Funding Agreement designates the Director of Special Events and the Deputy Director of Economic Development as the contract administrators for the MOU and Funding Agreement, respectively. The Funding Agreement contract administrator's review was limited to ensuring that the amount on the submitted invoice matched payments and disbursement from BPCI accounts. City staff charged with overseeing the reimbursement process indicated that the broad scope of the agreements and lack of detailed invoicing may have also impeded contract oversight. However, we found provisions in the MOU and Funding Agreement which potentially could have enabled City contract administrators to perform more stringent oversight and be alerted to impending problems. The City Attorney's Office noted that the MOU and Funding Agreement contained sufficient language to enforce deadlines for deliverables, and required presentations to public committees and meetings with public officials.

5: What Other Factors May Have Adversely Affected BPCI's Ability to Fulfill its Mission?

Several political and regulatory/legal issues impeded BPCI's planning and operational efforts. First, the City's series of mayoral transitions adversely affected BPCI's ability to obtain funding and contributed to delays in the organization's event planning process. Second, according to BPCI executives and contractors, Mayor Filner's role in BPCI's celebration planning contributed to further delays in the planning process. Third, BPCI encountered difficulty in complying with certain legal restrictions on BPCI's use of San Diego Tourism Marketing District funds. Fourth, BPCI was uncertain of the extent to which the event planning would be affected by certain environmental regulatory requirements. Lastly, we found that BPCI encountered significant areas of difficulty in obtaining both corporate and philanthropic sponsorships.

Issues for Future Consideration While we did not make recommendations in the audit, we provide issues for future consideration regarding Citywide contracting practices. Although there were external factors that led to the dissolution of BPCI prior to completing its mission that were in many ways outside of the control of BPCI and the City, there are some key lessons to be learned from the City's perspective. Going forward, the City should ensure that contracts with vendors include sufficiently detailed scopes of work that include performance milestones to facilitate contract oversight. Additionally, when contractor invoices are not sufficiently detailed and contract deliverables are not met, the City's contract administrators should be more proactive in questioning contractor submissions and taking action to hold the contractor accountable for deliverables. Based on our approved FY 2015 Annual Audit Workplan,² we have recently initiated an audit on Citywide Contract Oversight that will review the City's contract monitoring procedures, and we will make recommendations to improve the City's contract oversight practices as needed.

City Management and BPCI Response We provided a draft version of this report to City Management, the Office of the City Attorney, and the BPCI Transition Director for review and comment. All parties provided technical comments, which have been incorporated throughout the report, as appropriate. Both the City and BPCI generally agreed with our findings.

² City Council's Audit Committee approved the Office of the City Auditor's Annual Audit Workplan on July 14, 2014.

Background

Balboa Park (Park), located in the City of San Diego (City) and comprising over 1,000 acres, is the nation's largest urban cultural park. Designated as a park in 1868 by San Diego civic leaders and re-named in 1910 to honor Spanish-born explorer, Vasco Nuñez de Balboa, the Park is home to 15 major museums, renowned performing arts venues, beautiful gardens, and the San Diego Zoo. With an ever-changing calendar of museum exhibitions, plays, concerts, classes, and major celebrations held annually, the Park brings an estimated 14 million visitors per year. The Park is maintained by the Developed Regional Parks Division of the City of San Diego Park and Recreation Department.

In 1915-16, the Park hosted the Panama-California Exposition (Exposition) to commemorate the opening of the Panama Canal and San Diego's designation as the first U.S. port-of-call for northbound maritime trade. The Exposition, with a theme of celebration of progress, prosperity, and opportunity, is widely credited with attracting the first international attention to San Diego, which at the time had fewer than 40,000 residents. In fact, the Exposition is responsible for the creation of many of the current structures in place at the Park today, such as the California Tower and dome, Spreckels Organ Pavilion, and the historic Botanical Building, one of the largest lath structures in the world. The Exposition left as its legacy an invigorated economy and an enhanced civic reputation, while setting the tone for the development of the Park as a cultural center.

2015 Centennial Celebration Planning Began in Mid- 1990s

The desire for a 100-year anniversary celebration in 2015 (Celebration) – intended to expand on the Exposition's success and promote Balboa Park's history, culture, and educational and recreational resources to the world – began as an ongoing conversation within the local hospitality industry and Balboa Park institutions in the mid-1990s. Over time, the scale of what was envisioned for the Celebration was immense. The City and community leaders envisioned that this Celebration would increase civic pride and tourism, and provide an economic benefit to the City. By some estimates, the Celebration was projected to bring nearly \$700 million to the region, and to double annual visits to the Park from 10 million in 2010 to 20 million – with nearly 75 percent of Celebration attendees coming from outside of San Diego.

San Diego's Tourism Industry Took a Major Interest in Celebration Planning

The tourism industry is the third largest revenue generator for the City of San Diego economy and a key employment sector. Future growth of the industry is dependent on additional marketing of San Diego, especially as more hotel rooms come on-line. In mid-2005, hotel industry representatives interested in developing a new source of revenue for marketing and expanding the tourism industry in San Diego approached City officials about implementing a tourism marketing district (district), whereby lodging businesses within this district would be assessed a tax to pay for tourism marketing and promotion within the City. In December 2007, the City Council of San Diego approved the establishment of the district for five years, covering the period from 2008 through 2012. In April 2008, the City entered into agreement with the San Diego Tourism Marketing District Corporation (SDTMD), a California non-profit mutual benefit corporation, for the administration of the district.

SDTMD Played a Significant Role in Early Celebration Planning

Building off the belief that a year-long Celebration would significantly increase hotel stays, the SDTMD and City Mayor Jerry Sanders assembled the SDTMD Steering Committee (Steering Committee) in March 2010 to develop a framing vision for the Celebration. The SDTMD, which provided a \$50,000 grant in seed money for this purpose, hired a consultant to complete the planning framework report which was issued in November 2010. The planning framework document consolidated nearly a decade of ideas, opinions, and documents addressing the Celebration's year-long anticipated event.

At a November 2010 SDTMD board of directors meeting, after review of a proposed scope of work and budget for the Celebration, the SDTMD board elected to allocate \$300,000 to the Celebration. The funding was contingent upon the City allocating \$400,000 and private donors allocating \$300,000.

Balboa Park Celebration, Inc. (BPCI) Formed to Be City's Official Celebration Organizer

In March 2011, members of the Steering Committee presented the Celebration concept to the City's Natural Resources and Culture Committee and outlined a plan for the City to enter into a Memorandum of Understanding (MOU) with a non-profit entity, Balboa Park Celebration, Inc. (BPCI), to carry out the planning of the Celebration. The Steering Committee members projected the year-long event would attract about 600,000 hotel room nights and have a total economic impact to the region of nearly \$700 million. **Exhibit 1** shows the projections that were presented at the meeting.

Exhibit 1**Estimated Economic Impact of Celebration on San Diego's Tourism Industry, Calendar Year 2015**

Calendar Year 2015	LEVEL I Western Region U.S.	LEVEL II National U.S.
Room Nights Forecast ¹	300,000	600,000
Direct Spending of Trip	\$ 139,000,000	\$ 278,000,000
Total Economic Impact of Travel	\$ 330,800,000	\$ 661,600,000
Estimated Hotel Room Revenue	\$ 45,120,000	\$ 90,240,000
Estimated TOT at 10.5%	\$ 4,737,600	\$ 9,475,200
Estimated SDTMD Assessment 2%	\$ 902,400	\$ 1,804,800

¹NOTE: Per the SDCCC (visitsandiego.com/pressroom/) ComicCon International consumed 126,000 room nights in July 2010 and overall 2010 citywide room night production was reported at 737,820 room nights.

Source: San Diego Convention and Visitors Bureau.

In November 2011, following the legal formation of BPCI in June, the Council approved the MOU and a Funding Agreement with BPCI and allocated \$450,000 to the organization.³ The MOU established the Celebration period from July 1, 2014 through March 31, 2016, and provided the authority to plan, oversee, manage and conduct the Celebration on behalf of the City, including the scheduling of Celebration events, and the timely issuance of necessary City permits. Additionally, the MOU laid out specific responsibilities for BPCI to meet, including a timeline of deliverables due to City officials, permitting for Celebration events, event planning, and fundraising, among other responsibilities. The Funding Agreement, which refers to and relies upon the MOU, included provisions that described the allowable uses of funds established, procurement requirements for BPCI to follow, and designated the Office of Special Events (Special Events) and the Economic Development Department (Economic Development) as contract administrators over the MOU and Funding Agreement, respectively. As part of their duties, the contract administrators were required to provide feedback to BPCI on deliverables and other matters. Contract oversight issues are discussed in greater detail in the body of the report.

³ The City provided \$450,000 to BPCI in Transient Occupancy Tax revenue that was previously set aside in the City's Major Events Revolving Fund.

BPCI Received a Total of Nearly \$3 Million to Plan Celebration To provide BPCI with sufficient funding with which to begin its operations, BPCI received approximately \$850,000 in FY 2012.⁴ In the ensuing fiscal years through FY 2014, BPCI received additional funds for a combined three-year total of approximately \$3 million. **Exhibit 2** below shows BPCI’s funding sources from July 2011 to June 2014 (FY 2012 - FY 2014).

Exhibit 2

Amount of Funding BPCI Received from Public and Private Sources, FY 2012 - FY 2014

Funding Sources	Date Amount Received	Amount
City of San Diego Major Event Revolving Fund	FY 2012 - FY 2014	\$1,255,916
City of San Diego Commission for Arts and Culture	FY 2014	\$375,000
City of San Diego Festivals Fund	FY 2014	\$15,000
San Diego Tourism Marketing District	FY 2012 - FY 2014	\$909,636
County of San Diego	FY 2013	\$40,000
San Diego Gas & Electric Company	FY 2013	\$100,000
Private Donors	FY 2012	\$388,909
TOTAL		\$3,084,461

Source: OCA, based on BPCI’s financial information.

BPCI Started Work amid Early Internal and External Setbacks From late fall of 2011 through March 2013, as BPCI established its administrative structure, it experienced several early internal setbacks. These setbacks, against a transitional political environment, affected the organization’s attempts to begin the Celebration planning process in earnest.

In BPCI’s first four months as a non-profit, its first Chief Executive Officer (CEO) Mark Germyn, abruptly resigned in February 2012, which left the organization without a leader. Mike McDowell, an original member of the Steering Committee that spearheaded the Celebration idea, was appointed by BPCI’s board of directors (Board) as the organization’s new CEO. During McDowell’s term as CEO, the City approved its first amendment to the Funding Agreement in November 2012, which provided the organization with an allocation of nearly \$446,000.

Soon after the amendment was finalized, the City sought to keep afloat a project to redesign the Plaza de Panama in Balboa Park after a local organization sued the City in the San Diego County Superior

⁴ The City’s Fiscal Year begins on July 1st of the current year and ends on June 30th of the following year.

Court (Superior Court) challenging the project. The project, launched by local philanthropist Irwin Jacobs' Plaza de Panama Committee and approved by the City, involved installing a bypass bridge from the Cabrillo Bridge by closing the area to traffic and returning it to its original state as a walking pavilion. The lawsuit asserted that the City violated its own Municipal Code, as well as California State law, with its approval. The impending outcome of the Superior Court's decision delayed construction in the Plaza De Panama, which if approved by the Superior Court, would have to be completed by the time of the start of the Celebration.

Additionally, in late December 2012 through March 2013, BPCI experienced another series of major setbacks, both internally and externally. Specifically, McDowell submitted his resignation as CEO in February 2013, which left the organization without a leader again. This came at a time of political transition when Bob Filner became San Diego's new Mayor in December 2012. Mayor Filner's immediate contention surrounding the signing of a new agreement with the SDTMD caused cessation in funding to the SDTMD and to BPCI. Gerry Braun, working as the organization's communications project manager prior to McDowell's departure, became BPCI's interim CEO in March 2013.

New CEO Took Control of BPCI amid Planning Delays and Political Turmoil

In the spring of 2013, Julie Dubick, an attorney and former Chief of Staff under Mayor Sanders, became BPCI's fourth CEO in nearly two years. Immediately subsequent to her appointment, the City provided an additional \$360,000 to BPCI with the approval of a second amendment to the Funding Agreement. Mayor Filner resigned from office later that summer.

Under Dubick's leadership and about a year away from the start of the Celebration, the organization increased its fundraising efforts by hiring Marketing Partnership Solutions and Utopia Entertainment to gain sponsorship for the Celebration. Additionally, the organization made a major change by terminating Autonomy, the original production company hired in December 2012, and hired Utopia for production in December 2013.

**SDTMD Questioned BPCI
Planning Efforts**

In early 2014, members of SDTMD's board of directors expressed to BPCI on multiple occasions that the organization must provide an account of its specific progress against its FY 2014 contract commitment and demonstrate an associated rate of return to participating hotels within the district. In a February 2014 letter to the SDTMD executive director, BPCI stated that it was not yet able to measure targets and outcomes or track a return on investment to participating district hotels because the event was scheduled to run through 2015.

**BPCI CEO Resigned and BPCI
Signaled Intent to Cease
Planning Efforts**

BPCI's fourth and final CEO Julie Dubick resigned on February 13, 2014, after 10 months on the job. Shortly after Dubick's departure, BPCI informed the SDTMD that it was postponing any action on an application for additional funds.

On February 26, 2014, the Office of the Mayor requested that BPCI return control of the Celebration planning to the City. Subsequently, BPCI's Board approved a plan to transfer all remaining funds, records, and authority back to the City. On March 1, 2014, Gerry Braun, formerly the City's Director of Special Projects under Mayor Sanders, became BPCI's Transition Director and on March 3rd, he notified the City that BPCI intended to return the responsibility of planning the Celebration back to Special Events. BPCI's Board voted to terminate the MOU with the City by mutual agreement, terminate outstanding contracts, pay all debts, and establish a transition team to assist with winding down the BPCI's business.

Subsequently, BPCI returned \$257,662⁵ of unused City funds to the City as required by the MOU and termination agreement.

⁵ The termination agreement stated that unused City funds should be returned within 90 days of the execution of the agreement. BPCI returned the funds within about 160 days of the execution of the agreement.

Audit Results

Question 1: Did BPCI Misuse City Funds?

BPCI Complied with the Funding Agreement's Use of Funds Requirements

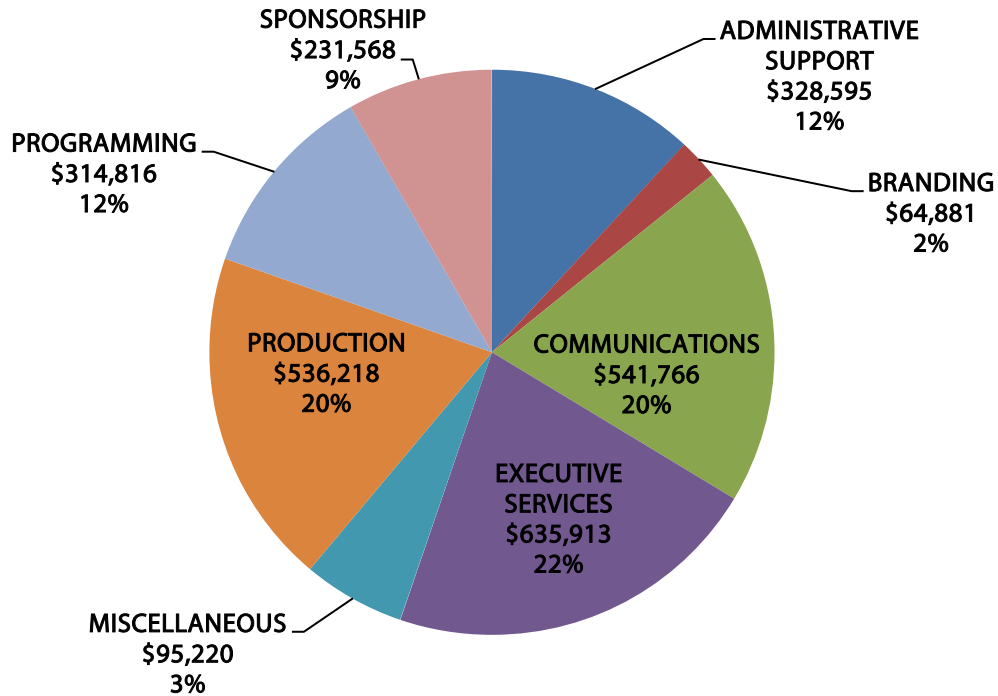
The Funding Agreement sets forth that Balboa Park Celebration, Inc. (BPCI) should use public funds for planning, organizing and implementing the 2015 Centennial Celebration (Celebration). In our analysis of BPCI's expenditures, we found that BPCI complied with the Funding Agreement's use of funds requirements. Between FY 2012 and FY 2014, BPCI received a total funding of about \$3 million, of which approximately \$1.6 million came from various City funding sources. BPCI expended about \$2.84 million over the course of its operating period. The allowable expenses set forth in the Funding Agreement were very broad. Some of the allowable expenses identified in the Funding Agreement included planning, development, general administration, programming, special event production, operations, marketing, contractors, service providers, and employees. The Funding Agreement also required BPCI to provide quarterly financial reports to the City's Economic Development Department (Economic Development) detailing BPCI's use of funds so that the department could ensure BPCI's compliance with the agreement.

In our evaluation, we grouped all expenditures, including those using funds from other sources, into categories closely mirroring the Funding Agreement's use of funds requirements. **Exhibit 3** below shows a breakdown of these categories and a brief description of the services provided within each category.

Exhibit 3

BPCI Spending Analysis by Category, FY 2012 - FY 2014

Total Expenditures = \$2.8 Million



- Notes:**
- Administrative Support:** Includes payments to vendors for legal and financial services and internal administrative support.
 - Branding:** Includes payments to vendors for branding services for the Celebration.
 - Communications:** Includes payments to vendors for communication services such as public relations, marketing, website design, and advertising.
 - Executive Services:** Includes payments to BPCI's Chief Executive Officers, Chief Operating Officer, and employees (Julie Dubick and Victor Avina).
 - Miscellaneous:** Includes payments to vendors for items such as publication of Request for Proposals (RFPs), printing services, and janitorial services.
 - Production:** Includes payments to vendors for traffic and parking studies and location designation of Celebration events in Balboa Park.
 - Programming:** Includes payments to vendors for the planning and designing of Celebration events and Balboa Park institutional planning grants.
 - Sponsorship:** Includes payments to vendors responsible for raising money for the Celebration.

Source: OCA analysis, based on AKT financials received from BPCI.

**BPCI's Spending Pattern
Demonstrates Difficulty in
Moving from Celebration
Planning to Execution**

The relative amounts that comprised the various expenditure categories illustrate some of the key areas that were problematic for BPCI. For example, in contrast to the nine percent of total expenditures for sponsorship efforts, about half of all BPCI expenditures were for executive services, communications, and administrative support. In our view, this pattern of spending illustrates the difficulty BPCI had in moving from planning to execution. As an additional example, BPCI spent 20 percent of funds on production services, 88 percent of which was paid to Autonomy but did not result in a finalized production plan. Because production is tied to the physical layout of the Park and BPCI did not produce a finalized layout of event activities, this effectively made the programming that had been developed by several contractors of little use. The delay in the creation of a finalized production layout may have also hindered BPCI's ability to create an environmental review package in the summer of 2013 to submit to the Office of Special Events should the event be required to undergo a state environmental review.

Question 2: Did BPCI Fully Comply with the MOU and Funding Agreement?

BPCI Did Not Consistently Comply with All Provisions of the MOU and Funding Agreement

The Funding Agreement between the City and BPCI was made with reference to and reliance upon the Memorandum of Understanding (MOU). Our analysis focused on both interrelated documents. We found that BPCI did not consistently comply with the section of the Funding Agreement governing procedures for procurement of goods and services in its relations with several contractors hired to assist in the planning and execution of the Celebration. The City Charter, Municipal Code, Council Policies, and Administrative Regulations set forth general requirements for competitive bidding to ensure fair practices in the awarding of City Contracts. BPCI's specific obligation to abide by certain City requirements are set forth in the Funding Agreement, which outlines specific procedural requirements when procuring goods and services. Specifically, contracts with a value of less than \$5,000, between \$5,000 and \$25,000, and more than \$25,000, had increasingly stringent procedural requirements prior to execution based on the value.

Additionally, we found some other areas where BPCI did not fully comply with certain portions of the MOU. Specifically, BPCI was late in providing certain deliverables required by the MOU, although most required deliverables were provided on time. Further, we found that the MOU requirement pertaining to presentations to City Council's Natural Resources and Culture Committee was not fully met.

BPCI Inconsistently Adhered to Contracting Requirements

We found that BPCI inconsistently complied with the section of the Funding Agreement governing procedures for procurement of goods and services from contractors who were engaged to assist in the planning and execution of the Celebration. The City Charter, Municipal Code, Council Policies, and Administrative Regulations set forth general requirements for competitive bidding to ensure fair practices and avoid appearances of impropriety or conflicts of interest in the awarding of City contracts. BPCI's specific obligation to abide by certain City requirements when procuring goods and services is set forth in Exhibit C of the Funding Agreement. Contracts with a value of less than \$5,000, between \$5,000 and \$25,000, and more than \$25,000, had increasingly stringent procedural requirements prior to execution, based on the contract amount. Additionally, just as the City's contracting requirements do not apply to the hiring of City employees, the procurement requirements set

forth in Exhibit C of the Funding Agreement did not apply to the hiring of BPCI employees. Notably, only two individuals were hired as BPCI employees.⁶

BPCI executed some initial contracts that adhered to the procedural requirements for an initial contract. However, during the course of planning, BPCI leaders renegotiated scopes of work and payment terms that were not subjected to the procedures mandated by the Funding Agreement. In other cases, we found that the Funding Agreement's procedural requirements were not followed at all. Based on our review of documentation and interviews with BPCI executives, it is evident that there was a lack of clarity as to whether and what extent the organization was required to follow the procurement provisions set forth in the Funding Agreement.

BPCI's adherence to procurement procedures set forth in Exhibit C of the Funding Agreement can be separated into the following categories:

1. BPCI adhered to the procurement procedures.
2. BPCI adhered to the procurement procedures when initially contracting with a consultant. However, BPCI did not follow the procedures when the contracts were expanded and subsequent contracts with the same consultant were negotiated and signed.
3. BPCI did not adhere to the procurement procedures at all.

See **Exhibit 4** for details on BPCI's procurement practices regarding selected key contracts.

⁶ BPCI's final CEO, Julie Dubick, was hired under an employment contract. Additionally, BPCI hired a Marketing and Communications Manager as an employee in 2013.

Exhibit 4

BPCI Compliance with Required Procurement Procedures for Selected Contracts

Vendor	Followed Procurement Process	Followed Procurement Process Initially But Not Subsequently	Did Not Follow Procurement Process
Autonomy		x	
Loma Media Partners		x	
Michael H. McDowell			x
J&S Silverman Consulting			x
Mark Germyn	x		
Gerry Braun and Associates			x
Blegs, Inc. dba Marketing Partnership	x		
Utopia Entertainment, Inc.		x	
Departure Agency, Inc.		x	
Batten Accountancy	x		
Fehr & Peers	x		
AV Concepts, Inc.			x
Goodman Experiences			x
Blue Horizon Insurance Services			x
Lisa G. DeFino Enterprises			x
Grant Leisure, Inc.			x
Balboa Park Online Collaborative			x
Christy White Accountancy Corporation	x		
Hiroko Kusano			x
Brown Law Group, ALC			x

Source: OCA, based on an analysis of BPCI vendor contracts.

BPCI Adhered to the Procurement Procedures Set Forth in the Funding Agreement in Some Cases

BPCI followed the procurement procedures set forth in the Funding Agreement for some of the contracts entered into with consultants. For example, BPCI issued a total of 11 requests for proposals (RFPs), for which 10 consultants responded and were selected and the City. Although an RFP was issued for Julie Dubick's position as CEO, we excluded her from the total number of vendors selected because BPCI was not required to hire employees through the procurement process. However, we found that in at least five other instances where consultants paid more than \$25,000, no RFP was issued. One BPCI CEO stressed that, in certain instances, the procurement procedures were not followed due to time constraints in planning the Celebration.

In Some Cases, BPCI Initially Adhered to Procurement Procedures Required in the Funding Agreement but Did Not Follow the Procedures when Contracts Were Expanded or Renegotiated

During the course of operations, BPCI entered into a series of contracts with consultants that were subsequently either modified or expanded to include enhanced scopes of works which resulted in new contracts. In many cases, the BPCI Board did not route the new contracts with expanded scopes of work through the procurement process specified in the RFP.

One example is the series of contracts BPCI entered into with Loma Media. The BPCI Board adhered to the procurement procedures required in the Funding Agreement for the initial hiring of Loma Media. The Board approved the creation and proliferation of an RFP, assembled a hiring committee which interviewed candidates, and approved the initial contract for an annual budget of \$90,000. BPCI entered into a contract with Loma Media with an estimated fee of \$188,000 to complete a specific scope of work between from April 2012 through April 2013.

In March 2013, BPCI staff told the Board that a decision had been made to rebrand, discontinue work with a separate contractor, and contract with Loma Media to take over those duties and lead the rebranding effort. The Board did not initiate the RFP procedures specified in the Funding Agreement. Rather, the BPCI Board approved entering a contract with Loma Media. BPCI staff later explained that Loma Media was being paid on an \$8,000/month retainer "with additional job components added to that retainer." More specifically, BPCI staff explained that "BPCI has reengineered the scope of work under the Loma Media contract to include a larger website development."

Finally, in September 2013, the BPCI Board approved another new contract with Loma Media without initiating the RFP procedures

specified in the Funding Agreement. BPCI staff executed a contract which included a new scope of work and specified a fee between \$373,468 and \$1,867,433.

The BPCI Board did not initiate the procurement procedure specified in Exhibit C of the Funding Agreement for either of the scope of modifications and new contract signings between BPCI and Loma Media.

A comprehensive examination of the procurement practices for the six consultants receiving the largest payments from BPCI is included in **Appendix B**.

BPCI Did Not Adhere to Funding Agreement in Contracting with Consultants in Some Cases

Of the 20 highest paid consultants hired by BPCI shown in **Exhibit 4** – each receiving more than \$10,000 from BPCI – more than 50 percent (11 of 20) were not contracted through the procurement process established in the Funding Agreement. As a result, BPCI was potentially in noncompliance with the procurement procedures established in the Funding Agreement between BPCI and the City. One BPCI CEO stressed that, in certain instances, these procedures were not followed due to time constraints in planning an event of this magnitude.

BPCI Inconsistently Adhered to Funding Agreement in Contracting with BPCI Executives

We found that BPCI did not consistently follow the procurement procedures required by the Funding Agreement in the hiring of several executives during its Celebration planning efforts.

Specifically, BPCI did not follow procurement procedures when entering into contracts with former-CEO Mike McDowell and Interim-CEO/Transition Director Gerry Braun. Finally, BPCI did follow the procurement procedure specified in the Funding Agreement when Executive Director, Mark Germyn was hired under a consulting contract as CEO. A comprehensive description of the procurement practices for the four BPCI executives is included in **Appendix C**. BPCI was required to follow the contracting procurement procedures established in Exhibit C of the Funding Agreement for the organization's CEOs and executive directors hired on a consulting basis.

In contrast, BPCI was not required to follow the procurement process for individuals hired as employees of the organization. BPCI's final CEO, Julie Dubick, was hired under an employment contract. BPCI followed the procurement process when it hired Ms. Dubick, which was not required by Exhibit C of the Funding Agreement.

BPCI Was Unclear Regarding the Applicability of the Procedures for Procurement of Goods and Services

In March 2013, BPCI's Interim CEO sent an email to the City Attorney's office to confirm a telephone conversation regarding whether BPCI needed to follow an RFP process to hire an executive director. This email from BPCI stated in pertinent part, "*Per our discussion today, Balboa Park Celebration, Inc. is not required as a term of its Memorandum of Understanding with the City to advertise or to issue RFPs in order to fill positions or engage with consultants.*" A Deputy City Attorney responded, "*That is correct. There is nothing in the MOU that speaks to a process for hiring by BPC. Rather, the MOU acknowledges that BPC is a separate corporate entity that operates independently of the City.*" The Deputy City Attorney noted the requirement may "*exist elsewhere, e.g., in BPC's Bylaws or in the laws that apply to nonprofits, but it is not a term of the MOU.*" The City Attorney's Office stated that this response was provided in the context of hiring employees, specifically an executive director. Nevertheless, based on the dialogue and emails, which referenced both hiring of employees and consultants, BPCI has stated that they construed the exchange to mean that BPCI was not required to advertise or issue RFPs for the hiring of both employees and consultants. Nevertheless, as noted above, BPCI went through an advertising and RFP process in the hiring of a CEO as an employee later that year.

It is important to note that the contractual requirement to follow certain procurement policies for the hiring of contractors and vendors was set forth in the Funding Agreement and not the MOU. As noted, the Funding Agreement was made with reference to and reliance upon the MOU. Therefore, the requirements in both documents applied to BPCI.

BPCI Provided Most Deliverables Required by the MOU, but Some Were Delivered on an Extended Timeframe

The MOU and the Funding Agreements between the City and BPCI, as described above, established deadlines for BPCI to submit deliverables and established a specific number of meetings and presentations – both to provide the City and the public with confidence that event planning was successful. As described in detail below, some contractual requirements were not fulfilled.

We found that BPCI missed some deliverable deadlines established in the MOU, as shown in **Exhibit 5**. Specifically, BPCI turned in the following deliverables late: 1) the Comprehensive Implementation Plan; and 2) and the Comprehensive Access, Transportation and Parking Management Plan. Notably, internal communications show that prior to missing the deliverable deadlines, BPCI leaders and the City’s Director of Special Events discussed the deadline and agreed to an extension, which BPCI met.

It is unclear whether a Department Director has the authority to extend deadlines under a contract without the approval of the contracting authority – in this case the City Council.

Exhibit 5

BPCI’s Delayed Deliverables to the City

Deliverable	Contents of Deliverable	Due Date	Date Delivered
Comprehensive Implementation Plan	BPCI shall provide to City staff a Comprehensive Implementation Plan which shall set forth the Committee’s plan for implementation of the Celebration, including timelines representing all activities necessary to implement the Celebration.	Nov-13	Feb-14
Comprehensive Access, Transportation and Parking Management Plan	BPCI shall provide to City staff a final plan to address transportation and parking during the Celebration, including access and circulation within the Park. The Plan may include user fee based access, transportation and parking management programs and facilities.	Nov-13	Feb-14
Informational Reports at Public Hearings of the Natural Resources and Culture Committee	BPCI shall make quarterly informational progress reports to the San Diego City Council Natural Resources and Culture Committee at its regularly scheduled meetings.	Quarterly	Requirement Not Fully Met

Source: OCA, based on Memorandum of Understanding, Funding Agreement, and BPCI report submissions to the City.

MOU Requirement for Progress Reports Was Not Fully Met The MOU between the City and BPCI required that BPCI provide informational updates to the City Council's Natural Resources and Culture Committee. The relevant provision of the MOU reads as follows:

Natural Resources and Culture Committee. During the Term of this MOU, the 2015 Committee shall make quarterly (or monthly if requested by the Natural Resources and Culture Committee) informational progress reports to the San Diego City Council Natural Resource and Culture Committee at its regularly scheduled meetings.

Notwithstanding the reporting and information provisions in the MOU, BCPI did not make all of the contractually required quarterly informational meetings to the Committee on Natural Resources and Culture. In fact, since BPCI's inception in June 2011 through its dissolution in May 2014, BPCI provided information presentations to the Committee five times while the MOU required these presentations to occur on a quarterly basis.

During these presentations, representatives of BPCI stated that elements of the programming and planning had not been completed (even as late as November 2013) and that no sponsorship program was ready to be discussed. Despite the close proximity to the event, members of the Natural Resources and Culture Committee did not ask any substantive questions that pressed BPCI on progress issues.

Question 3: Did Any Third-Party Vendors or Consultants Receive Payments from BPCI, but Did Not Provide Agreed-Upon Services or Deliverables?

BPCI Consultants and Executives Provided the Agreed-Upon Services and Deliverables Set Forth in Their Respective Statements of Work

We reviewed the deliverables received from BPCI's highest paid consultants and executives. Payments to the top 10 highest paid consultants and executives comprised about two-thirds of BPCI total expenditures. We found that, based on the sometimes broad scopes of work set forth in the contracts, BPCI vendors and consultants delivered agreed-upon goods and services. For example, Steve Silverman of J&S Silverman played a role in drafting consultant RFPs for a variety of services. Silverman also liaised with contractors and BPCI's board of directors, and curated relationships with the Park's institutions. As another example, Departure, the first company hired to create the Celebration's brand, created EDGE2015 and all requisite material such as the logo and taglines. **Exhibit 6** provides a summary of these key contractors, the scopes of work, and a high-level summary of the deliverables.

Exhibit 6**BPCI's Top Paid Consultants and Employees by Category and Dollar Amount,
June 2011-June 2014**

Name	Category	Scope of Work	Deliverable	Total Amount Paid
Autonomy, LLC	PRODUCTION	Develop three programming components of the Celebration: 1) Develop and define a program to fulfill the Celebration's thematic goals, 2) Implement a strategy and timeline to execute this program, and 3) Develop a budget and time estimate for the execution of this program.	Developed Celebration programming, commenced forum structure development, researched permitting for various Balboa Park events, prepared and delivered presentations to BPCI staff, Balboa Park museum officials, City staff, and made sponsorship recommendations.	\$473,398
Marketing Partnership Solutions (BLEGS, INC.)	SPONSORSHIP	Design and administer a sponsorship campaign, media partnership campaign, and sponsorship sales effort.	Presented sponsorship briefs and sponsorship packages to BPCI, delivered sponsorship presentations in "ready to market" electronic format, researched sponsorship target list, and set meetings with key target sponsors.	\$81,072
Departure Agency, Inc.	BRANDING	Prepare branding assignment that strategically defines the Celebration event theme, brands year-long celebration and positions it for success.	Designed EDGE2015 brand representing the Celebration, logo, tagline, creative campaign, and event naming.	\$64,881

Name	Category	Scope of Work	Deliverable	Total Amount Paid
Gerry Braun and Associates	EXECUTIVE SERVICES	External Communications Director: Develop external communications with stakeholders; Interim CEO: Handle general internal operations of BPCI and managed vendor contracts and contacts; Transition Director: Direct BPCI's dissolution after BPCI's contract termination with the City of San Diego.	External Communications Director: Developed external communications with stakeholders; Interim CEO: Handled general internal operations of BPCI and managed vendor contracts and contacts; Transition Director: Directed BPCI's dissolution after BPCI's contract termination with the City of San Diego.	\$144,044
J&S Silverman Consulting	ADMINISTRATIVE SUPPORT	Prepare master event calendar, design venue allocation plan, draft RFP for a vendor to conduct a traffic study, administer written communication, facilitate meetings with stakeholders, act as liaison with organizations and institutions within Balboa Park.	Liaised between BPCI and BPCI's vendors, administered RFP process under Mike McDowell, maintained relations with Balboa Park institutions and BPCI's grantees, and acted as a conduit between BPCI's vendors and BPCI's board of directors.	\$137,858
Julie Dubick	EXECUTIVE SERVICES	Oversee various operations, including fundraising efforts, fiscal management, programming content, and development of comprehensive site plan. Ensure that all MOU deliverables are met, report to the board of directors, ensure retention of all high-performing and key staff, and work collaboratively with Balboa Park organizations and institutions.	Oversaw BPCI's internal operations, managed vendors and their contract deliverables, managed sponsorship efforts, and attempted to ensure that all MOU deliverables were met.	\$136,500

Name	Category	Scope of Work	Deliverable	Total Amount Paid
Loma Media	COMMUNICATIONS	Devise various plans for BPCI, including: community outreach, external communications, media management, website/digital strategy, retainer, promotional opportunities, internal communications, speakers bureau, and diversity outreach.	Provided community outreach plan to meet BPCI's MOU deliverable. Created various strategies, including media, digital marketing, public relations, social media. Re-designed the Celebration brand.	\$519,458
Mark Germyn	EXECUTIVE SERVICES	Devise and manage BPCI's internal operations, begin the process of planning the 2015 Celebration, delegate tasks to vendors and staff, and oversee other duties as assigned by the board of directors.	Managed BPCI's internal operations, began the process of planning the 2015 Celebration, and assisted with the creation of BPCI's policies.	\$123,523
Michael H McDowell	EXECUTIVE SERVICES	Consult and advise BPCI's board of directors, provide services in connection with projects related to planning and staffing for the Celebration, manage BPCI's internal operations, oversee relations with Balboa Park institutions and organizations, and manage fundraising efforts.	Acted as conduit between board of directors and vendors, assisted Balboa Park institutions with grantee programming process, engaged potential sponsors and stakeholders, administered RFP process for vendor selection in connection with Steve Silverman, managed BPCI's internal operations.	\$181,861
Utopia Entertainment*	SPONSORSHIP	Create sponsorship presentations, identify potential sponsorship targets, and manage sponsorships once obtained.	Designed a production schedule for the Centennial Celebration events, prepared light-the-park site plan, prepared business plan presentations.	\$111,250
TOTAL				\$1,973,845

* BPCI also contracted with Utopia for production work. The amount shown in **Exhibit 5** reflects the total amount Utopia received for all contracts.

Source: OCA, based on analysis of vendor contracts, AKT financials, and vendor deliverables to BPCI.

Question 4: Did the City Provide Adequate Oversight Regarding BPCI?

City Staff Had Limited Oversight Over BPCI Regarding the MOU and Funding Agreement

We found that City staff had limited oversight over BPCI regarding the MOU and Funding Agreements. The City's contract administrator's review was limited to ensuring that the amount on the submitted invoice matched payments and disbursement from BPCI accounts. City staff charged with overseeing the reimbursement process indicated that the broad scope of the agreements and lack of detailed invoicing may have also impeded contract oversight. However, we found provisions in the MOU and Funding Agreements which potentially could have enabled City contract administrators to perform more stringent oversight and, perhaps, warn of upcoming problems. The City Attorney's Office noted that the MOU and Funding Agreement contained sufficient language to enforce deadlines for deliverables, and required presentations to public committees and meetings with public officials.

MOU and Funding Agreements between the City of San Diego and BPCI

The City of San Diego's relationship with BPCI was memorialized in two separate documents that established the duties and requirements: a MOU, and a Funding Agreement.

Memorandum of Understanding

The MOU included a sweeping list of responsibilities for BPCI to complete to fulfill its contractual duties. The list of responsibilities contemplated planning, organizing and providing comprehensive project management including fundraising, promotion of the event, and event planning.

The MOU required the delivery and set deadlines for a series of comprehensive reports essential to executing the Celebration including:

- Comprehensive Outreach Plan;
- Master Calendar of events;
- Venue Allocation Plan;
- Activities and Programming Schedule;
- Implementation Plan;
- Process for the Sanctioning of Official Events and Partnerships;
- Business Plan, Strategic Plan, and Budget;
- External Communications Plan; and
- Access, Transportation and Management Plan.

The MOU required that representatives from BPCI make public presentations quarterly to the Balboa Park Committee and the City Council's Natural Resources and Culture Committee.

Funding Agreement The Funding Agreement entered into by the City and BPCI described how City funds could be used for "activities in planning, organizing, and implementing the Celebration." The Funding Agreement references and relies upon the Memorandum of Understanding, which provides the scope of uses for City-allocated funds.

Contract Administration The agreements also set forth contract administration responsibilities for City staff. Specifically, the City's Deputy Director of Economic Development was designated as the administrator for the Funding Agreement and was tasked with receiving Quarterly Expenditure Reports, copies of the Annual Final Reports, and was to review such reports and documentation of expenditures for compliance with the agreement. The City's Director of Special Events was designated as the contract administrator for the MOU and was responsible for receiving, reviewing, and providing feedback on MOU-mandated deliverables.

City of San Diego's Contract Oversight Was Limited to a Cursory Review of Records The City's Department of Economic Development received and reviewed Quarterly Economic Reports submitted to the City by BPCI. These reports included invoices, checks and other documents supporting expenditures and collections of funds. We found that City staff had limited interaction with BPCI regarding deliverables. City staff charged with overseeing the reimbursement process indicated that the broad scope of the agreements and lack of detailed invoicing requirements may have also impeded contract oversight.

City Staff Had Limited Interaction with BPCI Regarding the Completeness and Accuracy of the Deliverables City staff was tasked with the receipt, review and the provision of feedback to BPCI concerning deliverables specified in the MOU. We found that there was little to no comment or feedback provided by City staff on any of the reports provided by BPCI. City staff tasked with receiving the deliverables stated these documents were delivered by BPCI and no substantive discussion took place concerning the contents of the documents.

It is important to note that, although the MOU and Funding Agreement contract administrators provided limited oversight, some City staff did have frequent contact with BPCI and its contractors on logistical and operational planning. For example, staff from Park and Recreation met frequently with BPCI and its vendors regarding Balboa Park layout and use issues.

Expansive Scope of Allowable Expenditures The language in the Funding Agreement was broad and permitted a wide range of allowable expenses. Economic Development staff reviewed reports and documentation of expenditures for compliance with this Agreement and stated that the MOU and Funding Agreement included scopes of work that were so broad that most any expenditure fit within the scope.

Economic Development staff were tasked with ensuring that invoice expenditures fell within the contractually defined scope of work. In the BPCI contracts, representatives of Economic Development stated that because the MOU contained such a broad scope of work, any expenditure was considered appropriate and the invoice review was limited to checking whether amounts on payment checks matched the invoice number.

Deputy City Attorneys stated the contracts with BPCI had sufficient detail, which was present in the deliverable deadlines, the required meetings with City staff, and the presentations before the City Council's Natural Resources and Culture Committee and the Balboa Park Committee. Representatives of the City Attorney stated these deadlines coupled with a clause in the contract detailing termination procedures when contractually required deliverables were not met, were sufficient enforcement measures, if the City chose to use them fully.

Lack of Detailed Invoicing We found that many invoices submitted by BPCI to the City included very little detail of work being completed and time spent on task. Representatives from Economic Development stated that detailed invoices were not a requirement spelled out in the contracts. Section 2.04 of the Funding Agreement, however, required “supporting documents” that could have allowed for the City to determine whether expenditures were appropriately documented. Many invoices included sparse detail such as “Consulting Services/Contract Management,” “For services provided in support of Balboa Park Celebration, Inc.,” “Professional Services,” and “Professional Services Rendered.” In contrast, invoices submitted by certain consultants included very detailed descriptions of the work completed.

As a result, City staff stated the oversight or administration of the expenditures was limited to ensuring that the invoices added up to expenditures from bank accounts. While invoicing is not the equivalent of oversight, vague billing makes it extremely difficult to track the work and ensure that billable hours were actually spent on fulfilling the terms of the MOU. Further, as noted above, there was little interaction or follow-up from City staff as part of their review, even though more thorough follow-up on the invoices would have allowed for greater City oversight.

Question 5: What Other Factors May Have Adversely Affected BPCI's Ability to Fulfill Its Mission?

Political, Regulatory, and Fundraising Challenges Adversely Affected BPCI's Ability to Fulfill its Mission

Several political, regulatory and legal issues impeded BPCI's planning and operational efforts. First, the City's series of mayoral transitions adversely affected BPCI's ability to obtain funding and contributed to delays in the organization's event planning process. Second, according to BPCI executives, Mayor Filner's role in BPCI's Centennial Celebration planning contributed to further delays in the planning process. Third, planning by BPCI was hindered by certain legal restrictions on BPCI's use of SDTMD funds. Finally, ongoing litigation against the City led to uncertainty by City staff and BPCI as to the extent to which the event would have to comply with state environmental regulatory requirements.

Mayoral Transition Limited and Delayed BPCI's Access to SDTMD's Funding

Near the end of Mayor Sanders' term in December 2012, the City Council, in November 2012, approved and forwarded him a new agreement with the SDTMD for the continued administration of the City's tourism marketing district. The taxes assessed on certain lodging businesses within the district, previously established in January 2008, are collected by the City and managed by the SDTMD to be used for marketing and tourism promotion of San Diego. The City's agreement with the SDTMD, set to expire on March 31, 2013, needed to be renewed in order to ensure the continuation of funding to the SDTMD. Mayor Sanders did not sign the new agreement prior to leaving office.

When Mayor Bob Filner took office in December 2012, he questioned the agreement, which caused a delay in funding to the SDTMD, and subsequently to BPCI. As a result, BPCI ceased work with some of its vendors, which likely impeded BPCI's planning process.

Mayor Filner's Influence Delayed BPCI's Planning and Event Development Efforts

Mayor Filner envisioned a large-scale, international event for the Celebration, as exemplified by his public statements on the issue. According to BPCI's executives and City staff, Mayor Filner's grand vision and strong influence interrupted and delayed the organization's Celebration planning development efforts by dictating the selection of certain contractors and dismissing BPCI's first branding concept. For example, in January 2013 Mayor Filner attended a BPCI board of directors meeting where David Gillig, a BPCI contractor and fundraising professional, gave a presentation of a potential fundraising strategy for BPCI. The presentation focused on a

proposed strategy for BPCI to raise what has been stated to be approximately \$30 million from corporate sponsorships to fund the Celebration. According to a former BPCI executive who attended the meeting, Mayor Filner expressed strong dislike for the strategy and stated that he was not going to allow corporatization of the park. Gillig subsequently ended his contract with BPCI, and BPCI was still without a well-formed fundraising strategy. Furthermore, Mayor Filner made pledges to help BPCI raise millions of dollars. According to a former BPCI executive, Mayor Filner's pledged and anticipated involvement in fundraising put BPCI's own fundraising efforts in neutral.

Similarly, BPCI executives stated that Mayor Filner exerted a profound influence on Autonomy, BPCI's production company, after he saw their presentation at a BPCI Board retreat in January 2013. According to BPCI's former CEOs, Autonomy allegedly had private meetings and communications with Mayor Filner which inflated the plans for the Celebration without input from BPCI itself. Moreover, BPCI's former CEOs expressed that Mayor Filner's perceived favoritism for Autonomy disallowed for the expression of real concern among Board members regarding Filner-directed changes in Autonomy's scope of work. Additionally, even as BPCI's CEOs came to desire a change in production companies, they felt that they could not terminate Autonomy's contract while Mayor Filner remained in office. As a result, the former CEOs felt that Mayor Filner's influence led to the creation of such a large scale event plan that only increased the need for large sponsorships to come through even as the time period for executing the event plan shortened.

Lastly, BPCI's former CEOs and City officials cite Mayor Filner's dismissal of the organization's Celebration brand as a major setback in the Celebration planning process. Departure, hired by BPCI in June 2012, created the Celebration's brand, EDGE2015, to capture the Celebration's event theme, logo, tagline, vision, and creative campaign. In BPCI's Board meeting minutes from January 2013, Mayor Filner stated that he did not feel that the EDGE2015 brand was sufficiently expressive of a celebration of Balboa Park's 100-year history. While former CEO McDowell acknowledged that not everyone was enthusiastic about the EDGE2015 brand, he stated that potential donors felt they could support it. When McDowell left the organization on March 1, 2013 and without his support for the brand to oppose Mayor Filner's dislike for it, Departure quit and BPCI hired Loma Media to re-brand the Celebration. The re-branding effort meant a loss of time for BPCI which was now left to test a new brand

with potential sponsors in a narrowing time period before the Celebration was to begin.

**Passage of Proposition 26
Tightened Restrictions on
SDTMD's Funding**

The passage of Proposition 26 in November 2010 by California voters brought about new restrictions on the definition of a tax imposed by a local government and required the district, once renewed by the City in November 2012, to comply with these requirements. Specifically, Proposition 26 required the district assessments to be spent on activities that confer a specific benefit of incremental room night generation directly and only to businesses paying the assessments. As a result, contracts between the SDTMD and BPCI, executed in April and July of 2013 required BPCI to demonstrate that each planned event have actual dollars committed from sponsors and to show a return on investment to participating district hotels.

In late summer of 2013, BPCI representatives had increased difficulty in meeting the SDTMD's new requirements. Beginning in August 2013, shortly after BPCI's execution of a second agreement with the SDTMD which approved \$2.3 million in funding for BPCI, the organization failed to meet a series of requests from the SDTMD to submit a new scope of work and budget for the SDTMD Board approval. In January 2014, the SDTMD escalated its pressure on BPCI to provide an account of the organization's specific progress against its FY2014 contract commitment. The SDTMD stated that until this account is provided, it would no longer be able to approve reimbursements for BPCI. In response, BPCI acknowledged that its original scope of work and resulting estimated SDTMD room night projections required substantial revisions and that it was not yet able to measure targets and outcomes or track a return on investment to participating district hotels.

**BPCI Was Uncertain
Regarding California
Environmental Quality Act
Requirements (CEQA)**

During the time of BPCI's Celebration planning, November 2011 to April 2014, there was uncertainty among BPCI and City officials over the extent to which the California Environmental Quality Act (CEQA) would impact the Celebration. CEQA requires that all discretionary projects undertaken by agencies in California provide major consideration to preventing environmental damage. However, in December 2011, a lawsuit against the City contested recent 2011 amendments to the City's Municipal Code Park Use Ordinance, which attempted to designate the City's Park Use Permitting process as ministerial, thus exempting City projects from environmental review under CEQA. As a result of the lawsuit's unresolved nature during this time, City officials were unsure how to advise BPCI regarding timelines for when Celebration plans would be need to be

completed. This uncertainty added confusion to BPCI's planning process by presenting the organization with two separate timelines. First, if the outcome of the lawsuit determined that the City's Park Use Permitting Process is discretionary, BPCI it would need to complete an environmental impact report for the Celebration that could take six to 12 months to complete. This would require Celebration plans to be finalized nearly a year in advance of the Celebration, beginning on July 1, 2014. Second, if BPCI hoped to receive an exemption from CEQA by declaring that the event would not have a significant impact on the environment, that process could take approximately 180 days, thus lengthening the amount of time the organization had to finalize plans for the event. According to BPCI's board of directors meeting minutes, the organization repeatedly received conflicting information from City officials, often vacillating in position from month to month as to whether the event had to meet CEQA requirements. While BPCI and the City awaited the final outcome of the lawsuit, the organization continued to use valuable time with no deadline in place to plan its Celebration.

BPCI Encountered Difficulty in Obtaining Corporate and Philanthropic Sponsorships

We found that BPCI's leadership and planning team was slow to foresee and adjust to a shrinking fundraising climate. As a result, the potential revenue was not available to execute an event of the magnitude envisioned. Primarily, we found that fundraising markets – both the philanthropic and corporate – suffered from contraction caused by unrelated issues within both City politics and the national economy.

First, BPCI and City leaders discovered during fundraising strategizing that the philanthropic market may not produce the amount of money needed to fund an event of this magnitude. According to former BCPI officials that we spoke to, what potential philanthropic donor funds were available was considerably diminished when the plan to redesign the Plaza de Panama in Balboa Park was rejected by local courts.

Second, BPCI and City leaders also found early in the planning process that the corporate sponsorship market was not yielding the kind of “civic commitment” that many involved in the planning process had expected. BPCI leaders found that many corporate executives favored other forms of marketing. Other potential corporate sponsors could not find a nexus between the themes of the Centennial Celebration and their business model. Many corporate sponsors did not see the benefit of investing in the event when the City was embroiled in the political turmoil surrounding former Mayor Filner.

Third, according to former BCPI officials, BPCI did not adequately integrate the experience and corporate connections of its Board of Directors into its fundraising networks for the benefit of the Centennial Celebration.

Finally, we found that, despite the harsh fundraising climate, consultants and event planners remained optimistic and insisted to BPCI executives that landing one large sponsorship would unlock the door to both the philanthropic and corporate markets, and the Centennial would be adequately funded. Despite the fact that, according to BPCI officials, only one major sponsor committed, the expectation of a cascade of sponsors never materialized.

*Corporate Sponsorship
Market Lacked “Civic
Commitment” Early in
Celebration Planning*

BPCI and community leaders involved early in the Celebration planning process sought to engage members of the local corporate community to sign on as sponsors of the event. According to a former BPCI executive, these efforts were focused on meeting with corporate executives and gauging their interest in being involved in the Celebration.

According to City and BPCI staff, the early meetings did not garner the kind of enthusiastic responses that BPCI planners had envisioned. Specifically, as former BPCI CEO Mike McDowell stated, the “civic commitment” that was discussed early in planning never materialized. BPCI leaders stated in interviews that corporations were approached, all were cordial, and none made funding commitments.

Regarding targeting corporate sponsors, some interviewees questioned the strategy of front-loading the development of the concept, rather than front-loading the targeting strategy for corporate sponsors, approaching sponsors with a broader concept, and allowing the sponsors to play a more significant role in the development of the final concept and programming.

*Fundraising Specialists
Concerned that Philanthropic
Market Not Sufficient Believed
that BPCI Should Focus on
Corporate Sponsorships*

Despite the early discouraging signals from the corporate market, BPCI's fundraising expert determined that the magnitude of the Celebration concept could not be solely supported by the philanthropic sponsorship market and municipal funding. As a result, BPCI contracted with corporate fundraising specialists to determine creative ways in which corporate sponsors would be enticed into making funding pledges.

As noted earlier, in January 2013, newly elected Mayor Filner attended a BPCI Board meeting and disparaged the strategies of focusing on these kinds of the corporate sponsorships. One BPCI executive stated that a key factor that inhibited BPCI's ability to get large corporate sponsorships was the fact that the MOU prohibited BPCI, and by extension, corporate sponsors from making any permanent changes to Balboa Park. The executive surmised that this inability for sponsors to leave "legacy projects" was a key factor in sponsors declining to make large donations to the park.

Mayor Filner stated to the BPCI Board that he would take over the fund raising efforts and would raise sufficient funds to expand the scope of the event. As a result, one BPCI executive stated, fundraising strategies and planning were put on hold as BPCI did not want to work at cross purposes with Mayor Filner.

*Contentious Political
Atmosphere Stunted
Planning Efforts and
Sponsorship Pitch
Development*

Mayor Filner's public battles with the SDTMD during early 2013, combined with BPCI's rapidly changing production plan and re-branding efforts, purportedly at Mayor Filner's direction, inhibited BPCI's ability to create a cohesive, fluid plan in which to present to both corporate and philanthropic sponsors. Furthermore, due to all of BPCI's personnel and contractor changes in the summer of 2013 which resulted in a vague event plan, corporate and philanthropic sponsors alike were unable to discern the nexus between their organizations and the Celebration. As a result, BPCI was unable to guarantee a return on investment tied to sponsorship deal, which contributed to an increased corporate reluctance to sponsor the Celebration.

*Plaza de Panama Project Was
Rejected by Courts, which
Diminished Philanthropic
Fundraising Potential*

In February 2013, BPCI lost a potential patron in the philanthropic community when the San Diego Superior Court ruled against the Jacobs' Plan to remove a parking lot in Balboa Park's Plaza de Panama to restore it to pedestrian uses. This ruling came at a time when Mayor Filner pushed for BPCI to gain the financial backing from the philanthropic community. Former BPCI CEOs stated that the demise of the Jacobs' Plan, along with the media's poor treatment of Jacobs,

created a cooling effect among many in the philanthropic community who became disillusioned with the City and Balboa Park. Although BPCI continued to seek potential philanthropic sponsors under Julie Dubick's direction as BPCI's CEO, BPCI was unable to access the necessary philanthropic sponsorship.

*Composition of BPCI Board
May Not Have Been Well-
Suited for Fundraising Efforts*

One BPCI official expressed concern that the composition of the BPCI Board may not have been well-suited to fundraising for the Celebration. Additionally, although the Board members were, by all reports, well-intentioned and enthusiastic volunteers, it is, in our view, unlikely that any group composed of part-time volunteers would be up to the task of planning an event of the magnitude envisioned.

*Contentious Political
Atmosphere Surrounding
Mayor Filner's Misconduct
Turned Away Corporate
Sponsors*

Beginning in July 2013, civic leaders in San Diego began publicly calling for the resignation of Mayor Filner related to a series of allegations of sexual misconduct. Over the ensuing months, as Mayor Filner resisted calls for his resignation, more women engaged in business affairs with the City and Mayor's Office publicly announced they had been victimized. Media coverage of these events appeared both in national and local media. BPCI officials stated that Mayor Filner's increasingly embattled public persona caused sponsors to be reluctant to provide funding for the Celebration.

*Despite the Harsh Fundraising
Climate, Consultants and
Event Planning Remained
Optimistic*

Despite the late start to fundraising efforts, the Board, BPCI staff, and BPCI contractors remained optimistic regarding BPCI's ability to get the necessary funding. Two examples of late fundraising efforts were led by BPCI executives with the enlisted assistance of interim Mayor Todd Gloria.

The first was a series of meetings with a prominent local philanthropist. In the fallout of the Jacobs plan, some believed that a donation from this key individual could be the gateway to further donations from a philanthropic community that was unsettled by Mr. Jacobs' treatment.

The second was a meeting with executives at Qualcomm. Attendees of the meeting stated that Qualcomm executives were apprehensive about committing to the \$20 million request.

Appendix A: Audit Objectives, Scope, and Methodology

Objectives At the request of City Councilmember David Alvarez in his capacity as Chair of the Committee on the Environment, we conducted an audit of the relationship between the City of San Diego (City) and Balboa Park Celebration, Inc. (BPCI). Specifically, Councilmember Alvarez requested that we determine if:

1. BPCI misused any public funds;
2. BPCI fully complied with the Memorandum of Understanding (MOU) between BPCI and the City; and
3. whether BPCI's hired consultants failed to provide deliverables for which they were paid.

In addition, we examined City oversight and other issues that may have affected BPCI's ability to fulfill its mission. To answer Councilmember Alvarez's request, we answered the following key questions:

Scope and Methodology 1. Did BPCI misuse public funds?

To determine whether BPCI appropriately used funds received from the City to fulfill its contractual obligations, we reviewed the MOU and Funding Agreement for the scope of allowable expenses. Additionally, we reviewed BPCI's vendor contracts, vendor deliverables, vendor invoices, and quarterly financial reports to ensure compliance with the scope of allowable expenses in the Funding Agreement. Moreover, we met with BPCI's contract administrators, including City management staff from the Office of Special Events (Special Events), Department of Economic Development (Economic Development), the City Attorney's Office, and staff from the office of former interim Mayor Todd Gloria's office to ascertain their understanding of BPCI's use of public funds per the MOU and Funding Agreement and their process for determining allowable expenses. Furthermore, we met with executive staff at BPCI and some of BPCI's contractors to learn how public funds were spent. Finally, we reviewed financial statements and supplemental information from BPCI's accounting firms, matched certain revenues and expenditures reported to the amounts in the BPCI general ledger and cross-referenced disbursements reported in the financial statements to the BPCI general ledger.

2. Did BPCI fully comply with the MOU and Funding Agreement?

To determine whether there was sufficient oversight by representatives of BPCI over contractual duties between BPCI and consultants/vendors, we interviewed staff from the entities mentioned above. Additionally, we reviewed contracts, invoices, quarterly economic reports, and contractually specified deliverables to verify compliance. Finally, we reviewed the procurement practices of BPCI to determine whether they conformed to the procedures set forth in the Funding Agreement.

3. Did any third-party vendors or consultants receive payments from BPCI, but did not provide agreed-upon services or deliverables?

To determine whether third-party vendors or consultants provided agreed-upon services or deliverables for which they were paid, we interviewed several of BPCI's highest paid consultants, reviewed contract scopes of work and specified deliverables or services, examined contractors' deliverables submitted to BPCI, and reviewed BPCI Board minutes.

4. Did the City provide adequate oversight regarding BPCI?

To determine whether there was sufficient oversight by City officials, we reviewed the MOU and Funding Agreement for City officials' oversight responsibilities. Furthermore, we interviewed City management staff from Special Events and Economic Development, staff from the Mayor's Office, and the City Attorney's Office to gain their perspectives on the level of responsibility for oversight of BPCI's MOU and Funding Agreement. Moreover, in our interviews, we examined staff processes and procedures for reviewing and monitoring of BPCI's deliverables to the City, such as quarterly financial reports and informational reports. Lastly, we interviewed BPCI executives and staff regarding coordination and communication with City staff.

5. What other factors may have adversely affected BPCI's ability to fulfill its mission?

To answer this question, we interviewed City management staff from Special Events and Economic Development, BPCI's executives and employees, San Diego Tourism Marketing District management, and representatives from the Mayor's Office to determine the extent to which outside political factors in the City played a role in the Celebration's planning process. We reviewed information regarding how the City's multiple mayoral transitions from December 2012 to March 2014 adversely affected BPCI's ability to effectively plan the Celebration. Additionally, we reviewed state and local laws to determine how new restrictions placed on the use of assessments collected from lodging businesses within San Diego's Tourism Marketing District impacted BPCI's ability to access these funds. Lastly, we interviewed the previously noted individuals, and evaluated how the mayoral transitions combined with the outcome of a major legal case against the City may have tempered the receptivity of local philanthropic and corporate sponsorship organizations toward funding the Celebration.

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 B: BPCI Procurement Practices for Highest Paid Consultants

BPCI's obligation to abide by certain City requirements when procuring goods and services is set forth in Exhibit C of the Funding Agreement. Contracts with a value of less than \$5,000, between \$5,000 and \$25,000, and more than \$25,000, had increasingly stringent procedural requirements prior to execution, based on the contract amount. We found that BPCI inconsistently complied with the section of the Funding Agreement governing procedures for procurement of goods and services from contractors who were engaged to assist in the planning and execution of the Celebration.

Autonomy BPCI may not have complied with the section of the Funding Agreement governing procedures for procurement of goods and services in its relations with Autonomy. An increase in the scope of services negotiated between Autonomy and BPCI in May 2013 may have triggered the RFP process.

In its initial execution of a contract with Autonomy, BPCI complied with the contractual requirement to prepare and distribute an RFP, receive and discuss different proposals, and enter into a contract. While the meeting minutes reflected that three proposal responses to the RFP were received and reviewed by BPCI Board committees consistent with the Funding Agreement, we were not able to locate the proposals in our review. BPCI executives formalized the contract in January 2013 with an \$80,000 limit for work on programming, implementation strategy, and budget.

In May 2013, the Board approved a motion to allow the BPCI CEO to enter in negotiations with Autonomy for an addendum to the contract to increase its scope to cover the development phase of the Centennial. At the July 13 meeting of the BPCI Board, the BPCI CEO stated that she would "review working Agreement" and pay Autonomy "\$60,000 per month until January 2014, at which time they will receive \$100,000 per month until the end of the fiscal year."

However, BPCI may have violated the procedural requirements of the Funding Agreement when an increase in the scope of services was negotiated between Autonomy and BPCI in May 2013 that should have triggered the RFP process.

In total, Autonomy was paid \$473,398 by BPCI, more than \$387,000 more than the BPCI's initial contract approval in conformance with the Funding Agreement.

Loma Media BPCI initially adhered to the procurement procedures required in the Funding Agreement for the initial hiring of Loma Media. The Board approved the creation and proliferation of an RFP, assembled a selection committee which interviewed candidates, and approved the initial contract for an annual budget of \$90,000.

Despite a more limited funding approval by the Board, BPCI staff entered into a contract with Loma Media with a estimated fee of \$188,000 to complete a specific scope of work between from April 2012 through April 2013.

In January 2013, BPCI and Loma Media entered into an agreement with an estimated fee of up to \$46,000 for the services for a Marketing Communications Coordinator. Despite the dollar amount being sufficient to trigger the Funding Agreement's procurement procedures, it is unclear whether BPCI was required to engage in the RFP procedures because the contract specified the coordinator's work was part of the original scope of work.

In February 2013, BPCI directed that any additional work for Loma Media is "on hold, pending a new contract that is in negotiations." In March 2013, BPCI staff told the Board that a decision had been made to rebrand, discontinue work with Departure, and contract with Loma Media to head up the rebranding effort. The BPCI Board approved entering a contract with Loma Media. BPCI staff later explained that Loma Media was being paid on an \$8,000/month retainer "with additional job components added to that retainer." More specifically, BPCI staff explained that "BPCI has reengineered the scope of work under the Loma Media contract to include a larger website development." At this meeting, the Board approved "conceptual approval of the contract with Loma Media" and requested that the BPCI CEO "return to the Board of Directors with the final contract." BPCI may have violated the procedural requirements of the Funding Agreement when an increase in the scope of services was negotiated and the RFP process was not triggered.

Finally, in September 2013, the BPCI Board approved another new contract with Loma Media. The new September 2013 executed contract between BPCI and Loma Media specified a fee of \$373,468 and included a new scope of work. Additionally, unlike any other

contract entered into by BPCI, the amount of fees paid by BPCI to Loma Media was based on the amount of funds the TMD allocated to BPCI. Should BPCI have received the full 100 percent of TMD funding, BPCI would pay Loma Media \$1,867,433. BPCI may have violated the procedural requirements of the Funding Agreement a second time when a new scope of was negotiated and the RFP process was not triggered.

In total, Loma Media Partners were paid \$519,458 by BPCI, more than \$331,500 more than the BPCI's initial contract approval in conformance with the Funding Agreement.

J&S Silverman Consulting BPCI did not adhere to the procurement requirements of the Funding Agreement when it entered into a contract with Steve Silverman of J&S Silverman Consulting.

In the April 2012 meeting, the BPCI CEO notified the Board "he would be hiring Mr. Steve Silverman on a contract basis to assist with day-to-day operations." The Board approved the hiring Mr. Silverman on a contract basis. In an April 2012 letter, with the subject line "Consulting Arrangement for Balboa Park Celebration, Inc.," Steve Silverman memorialized "our discussion" during which "it was agreed I would consult with you on the Balboa Park 2015 Celebration on a time and materials basis at the rate of \$95/hour." The letter also contained an attachment that specified the scope of work he would perform for BPCI. Additionally, BPCI records indicate that Mr. Silverman received a series of payments totaling more than \$10,000 for services provided through June 2012.

BPCI may have violated the procedural requirements of the Funding Agreement when BPCI entered into the original April 2012 agreement with J&S Silverman Consulting. Notably, the payments of more than \$10,000 triggered the Funding Agreement's procurement process which requires that for contracts with expenditures between \$5,000 and \$25,000 from a single contractor in a 12-month period, BPCI is required to: (1) obtain three written price proposals or demonstrate why three bids could not be obtained; (2) present price proposal information to full board for approval of contract or transaction, and record the action taken in the meeting minutes; and (3) and keep written price proposals on file.

Despite the requirement to "keep written price proposals on file," we were unable to locate any of these proposals and the remaining two requirements were not reflected as completed in the BPCI meeting minutes.

According to BPCI representatives, an advertisement for BPCI Planning Director ran in the San Diego Business Journal in July 2012 and Mr. Silverman sent a copy of his application to BPCI in July 2012. However, OCA was not able to locate a new or updated agreement between Mr. Silverman and BPCI reflecting a contractual relationship for a "BPCI Planning Director." In total, J&S Silverman Consulting was paid a total of \$137,858 for work for BPCI.

BPCI may have violated the procedural requirements of the Funding Agreement when BPCI entered into a contract with J&S Silverman Consulting that exceeded the \$25,000 threshold set forth in the Funding Agreement thereby triggering the RFP and advertisement procedures. OCA was not able to locate an RFP, the BPCI Board minutes do not indicate an action taken to contract with Mr. Silverman as a "Program Director", and OCA was not able to locate any proposals for the position.

Blegs, Inc. [dba Marketing Partnership Solutions]

BPCI potentially adhered to the procurement requirements of the Funding Agreement when it entered into a contract with Blegs, Inc. However, we noted inconsistencies with the time of BPCI payments to Blegs, Inc. that may not have been in accordance with procurement requirements.

In January 2013, an RFP was issued by BPCI seeking a consultant for sponsorship value analysis. In June 2013, BPCI's CEO "assured the Board of Directors that efforts are being focused on sponsorships and stated that several sponsorship teams have been interviewed and a decision will be made shortly. At the next Board meeting, in July 2013, the BPCI CEO notified the board that meetings had taken place with Barry Siegel and Ferris Thompson, representatives of Utopia Worldwide, and that that "a contract for Utopia Worldwide would be presented to the Board for the August Board meeting." On August 1, 2013, BPCI issued a payment to Blegs for \$8,000.

On August 6 2013, the BPCI Board was notified that the CEO had been negotiating and finalizing a contract with Blegs. At the meeting one Board member inquired as to whether the payment terms of the contract – a percentage of funds raised – was unethical, BPCI officials responded that MPS "gave [BPCI] a significantly better deal that [sic] other companies interviewed." The BPCI Board approved the contract pending a 72-hour review period. Meanwhile, BPCI issued a second \$8,000 payment to Blegs on August 7, 2013.

The City and Blegs, Inc. executed a contract on August 29, 2013 for the provision of "solicitation, procurement and/or management of Sponsorship, Media Partnerships and/or other similar opportunities for the Project." The contract specified that Blegs would be paid a total of \$126,000, plus 20 percent of the gross cash value of any sponsor agreement procured.

Despite the meeting notes that indicate other companies were interviewed, OCA was not provided any materials pertaining to the interviews. BPCI may have violated the procedural requirements of the Funding Agreement when BPCI entered into a contract with Blegs, Inc. that exceeded the \$25,000 threshold set forth in the Funding Agreement thereby triggering the RFP and advertisement procedures. Blegs, Inc. was paid a total of \$81,072 for its work of BPCI.

Utopia BPCI potentially adhered initially to the procurement requirements of the Funding Agreement when it entered into a contract with Utopia. In January 2013, an RFP was issued by BPCI seeking a consultant for sponsorship analysis. Utopia executed a letter of engagement with BPCI in June 2013 for sponsorship sales.

On November 12, 2013, a proposal was submitted to BPCI by Utopia to undertake all design and production for the event. On November 2013, BPCI paid Utopia \$22,500.

The BPCI CEO notified the Board in December 2013 that a decision was made to shift production from Autonomy to Utopia Entertainment, Inc. The Board approved entering a contract with Utopia for a three-month term to include a deliverables, timelines, and a budget. The contract between BPCI and Utopia specified payment of \$67,500 for the first phase of event design and production. BPCI may have violated the procedural requirements of the Funding Agreement when BPCI entered into a contract with Utopia that exceeded the \$25,000 threshold set forth in the Funding Agreement thereby triggering the RFP process.

Additionally, BPCI expanded the scope of services for Utopia in February 2014 to include sponsorship sales services. BPCI may have violated the Funding Agreement when BPCI expanded the scope of services.

Utopia was paid a total of \$111,250 for its work on the Celebration planning.

Departure BPCI did not adhere to the procurement requirements of the Funding Agreement when it entered into a contract with Departure. First, BPCI appeared to have pre-selected and accepted work from Departure prior to company's selection through a subsequent RFP process. Second, BPCI did not conform to the Funding Agreement when it expanded Departure's scope of work.

BPCI executed a contract with Departure in June 2012 which set payment at \$24,750 to produce vision and creative campaign and separate \$2,750 for stationary. However, Departure's work for BPCI began far before this.

In October 2011, BPCI CEO Mark Germyn notified the BPCI Board that he held a meeting with Emily Rex, president of Departure Advertising. Mr. Germyn recommended that Ms. Rex make a full presentation to the Board. In April 2012, the Board was notified that Departure would host a "visioning workshop" on April 25 with the BPCI Marketing Committee. In May 2012, BPCI officials notified the Board that the workshop had been held.

It was not until May 2012 that the Board was notified that proposals to the "identity and branding RFP" were received and BPCI officials would review and select finalists. At the June 2012 Board meeting, BPCI staff notified the Board that four finalists were selected from 12 proposals to the logo and branding RFP. Five members of the Board reviewed the applications and selected Departure. The Marketing Committee sent the offer letter to Departure. As stated above, the final contract between Departure and BPCI was executed in June 2012.

Notably, it is unclear whether the \$24,750 to produce vision and creative campaign and separate \$2,750 for stationary would have triggered the procurement procedures set forth in the Funding Agreement. Additionally, OCA was unable to determine whether BPCI advertised the logo and branding RFP.

In December 2012, the BPCI Board approved an estimate of between \$15,000 and \$20,000 for Departure "to undertake the creative portion of the web design." This increase was sufficient to trigger the Funding Agreement's requirement to obtain three price quotes or demonstrate why three bids could not be obtained. Additionally the new work was not consistent with Departure's original statement of work which specifically stated: "This statement of work does not include the following: ... Website development: copywriting, sub-

page design and programming.” Finally, between December 2012 and January 2013, BPCI paid Departure an additional \$40,131.25 for the expanded scope of work which was sufficient to trigger the procurement process requirement to advertise.

Departure was paid a total of \$64,881 by BPCI.

Appendix C: BPCI Procurement Practices for Executive Hiring

BPCI was required to follow the contracting procurement procedures established in Exhibit C of the Funding Agreement for the organization's CEOs and executive directors hired on a consulting basis. In contrast, BPCI was not required to follow the procurement process for executives or other staff hired as employees of the organization.

As discussed in greater detail below, BPCI failed to follow procurement procedures for CEOs and executive directors hired on a consulting basis. Meanwhile, BPCI followed the procurement process when it hired a CEO as an employee of the organization, which was not required by Exhibit C of the Funding Agreement.

Mark Germyn The BPCI Board followed the procurement procedures set forth in the Funding Agreement in the hiring of Mark Germyn as executive director because, based on the evidence available to OCA, the BPCI Board did create and advertise and RFP, interview qualified candidates and make a recommendation for the Board to consider.

At the June 2011 meeting of the BPCI Board, a search committee was formed for a chief operating officer. The Board set out timelines for search and hiring which included review of short list of candidates, interviews, and recommendation to Board. In August, the Board approved a short-term agreement with Mr. Germyn. The contract entered into between Mark Germyn and BPCI was effective September 2011 and specified the monthly salary of \$25,000.

Despite the month-to-month nature of the contract, the provision of the Funding Agreement's procurement procedure covering "[e]xpenditures of between \$5,000 and \$25,000 from a single contractor in a 12-month period" may have applied to this engagement. However, Mr. Germyn resigned after four months.

During the course of Mr. Germyn's contractual relationship with BPCI, he received a total of \$123,523.

Mike McDowell BPCI potentially did not follow the procurement procedures set forth in the Funding Agreement in the hiring of Mike McDowell as CEO because, based on the evidence available to OCA, the BPCI Board did not create and advertise and RFP, interview qualified candidates and make a recommendation for the Board to consider.

At the January 2012 meeting, the BPCI Board approved contracting an interim executive director to oversee BPCI. At the meeting, the Board voted to have three of its members – Mr. Clay, Mr. Urtasun, and Ms. McQuater – “identify a candidate and bring the candidate before the Board for approval.”

In February 2013, BPCI Board member Mike McDowell resigned his position as Board member. Also at this meeting, Board members Mr. Clay, Mr. Urtasun, and Ms. McQuater recommended and the Board approved McDowell’s appointment as “CEO at a salary of \$12,000 per month.” Mr. McDowell was paid a \$12,000 bonus. Additionally, Mr. McDowell was able to negotiate “a verbal agreement” to increase his month salary to \$15,000.

During the course of Mr. McDowell’s contractual relationship with BPCI, he received a total of \$181,862.

Julie Dubick The BPCI Board followed the procurement procedures set forth in the Funding Agreement in the hiring of Julie Dubick as CEO by creating and advertising an RFQ, emplaning a selection committee to review candidates to recommend a candidate, the Board approved. However, BPCI was not required to follow the procurement process for Julie Dubick as she was hired as employee of the organization.

At the meeting during which Mr. McDowell’s resignation was accepted, the Board formed a selection Committee to lead a search for a new CEO. In March 2013, the Board was notified that a final set of qualification for the CEO position was created by the Selection Committee and a timeline was set for applications, interviews, and hiring. In April 2013, a representative of the BPCI CEO selection committee informed the Board that advertisements were placed and the RFQ was posted on BPCI’s website. At the May 2013 meeting, the selection committee notified the board that 26 responses to the RFQ were received, interviews completed, and Julie Dubick was recommended. The Board approved negotiating and entering a contract with Mr. Dubick. Ms. Dubick resigned in February 2014.

BPCI paid Julie Dubick a total of \$136,300 for her work on managing the planning of the Celebration.

Gerry Braun The BPCI Board potentially did not follow the procurement procedures set forth in the Funding Agreement in the hiring of Gerry Braun as consulting project manager and interim CEO positions because, based on the evidence available to OCA, the BPCI Board did not create and advertise an RFP, interview qualified candidates and make a recommendation for the Board to consider.

Finally, OCA was not provided with sufficient documentation from meetings of the BPCI Board of Directors to determine whether the procurement procedures set forth in the Funding Agreement in the hiring of Gerry Braun as CEO were followed.

Consulting Project Manager for Communications The BPCI Board potentially did not follow the procurement procedures set forth in the Funding Agreement in the hiring of Gerry Braun as consulting project manager. Based on the evidence available to OCA, the BPCI Board did not create and advertise an RFP, interview qualified candidates and make a recommendation for the Board to consider.

In December 2012, Gerry Braun entered into a contract with BPCI with an effective date of January 2013 to serve as “Consulting Project Manager for Communications & Community Relations” for a monthly retainer fee of \$8,000 on a month-to-month term as an independent contractor.

According to BPCI Board minutes, the contract for Gerry Braun was neither discussed nor approved by the Board.

Interim CEO In March 2013, Gerry Braun entered into a contract with BPCI to serve as “Interim CEO” for a monthly retainer fee of \$15,000 on a month-to-month term as an independent contractor.

According to BPCI Board minutes, the contract for Gerry Braun was neither discussed nor approved by the Board.

Transition Director The BPCI Board potentially did not follow the procurement procedures set forth in the Funding Agreement in the hiring of Gerry Braun as Transition Director because, based on the evidence available to OCA, the BPCI Board did create and advertise and RFP, interview qualified candidates and make a recommendation for the Board to consider.

In March 2014, Gerry Braun entered into another contract with BPCI to serve as “BPCI Transition Director” as an independent contractor for a monthly retainer fee of \$13,000 for the period between March 1 through May 31, 2014.

OCA was not provided with sufficient documentation from meetings of the BPCI Board of Directors to determine whether the procurement procedures set forth in the Funding Agreement in the hiring of Gerry Braun as CEO were followed.