



REPORT

THE CITY OF SAN DIEGO TO THE PARKS AND RECREATION BOARD

DATE ISSUED: 10/31/2025

REPORT NO.: 201

ATTENTION: Parks and Recreation Board
Agenda of Jan 15, 2026

SUBJECT: Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2024

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE BOARD.

BACKGROUND

City Charter Section 55.2 requires that the City Auditor report annually the extent and nature of the

Mission Bay and the San Diego Regional Parks Improvement Funds' revenues, expenses, and improvements. To comply with the Charter and in accordance with the City Auditor's Fiscal Year 2025 Annual Audit Work Plan, we have performed an audit of the Mission Bay and the San Diego Regional Parks Improvement Funds' financial activity in fiscal year 2024.

DISCUSSION

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

Per the City Charter, annually, beginning in fiscal year 2010, Mission Bay Park lease revenues in excess of \$23 million have been distributed to the San Diego Regional Parks and the Mission Bay Improvement Funds for allowable capital improvement projects. In fiscal year

2015 and thereafter, revenues in excess of \$20 million are transferred. Currently, the San Diego Regional Parks Improvement Fund receives the greater of 35% or \$3.5 million, with the remainder of the excess going to the Mission Bay Park Improvement Fund.

We found that \$5,944,964 was transferred from Mission Bay Lease Revenue to the San Diego Regional Parks Improvement Fund (SDRPIF) for capital improvements and \$11,040,647 was transferred to the Mission Bay Improvement Fund (MBIF), including interest.

However, during the course of this audit, the City's Annual Report on Internal Controls for 2024 stated there were issues with EDD's lease invoicing and payment processing, which resulted in a large backlog of unresolved lease payment discrepancies. Therefore, at the time of this audit, we could not confirm that all Mission Bay Lease Revenue payments in FY2024 have been applied appropriately and the correct amount of funds were transferred to the MBIF and SDRPIF. Meanwhile, expenditures appeared to be in compliance with the requirements of Charter Section 55.2.

Finding 1: The Office of the City Treasurer could not formally issue many audit findings from the required percentage lease revenue audits for FY2024 due to a moratorium implemented by City Management, which increases the risk of loss of revenue and reduces transparency and oversight for the City.

Finding 1 Recommendation:

The Chief Financial Officer or other City Executive leadership should issue a memorandum or other written guidance directing the Office of the City Treasurer and the Economic Development Department to develop a policy that discourages future moratoria and requires promptly informing the Office of the City Auditor and the Chair of the Audit Committee if the ability to perform lease revenue audit functions is restricted in the future.

Finding 2: The Economic Development Department did not impose lease penalty fees for Mission Bay rental accounts for FY2024.

Finding 2 Recommendations:

• The Economic Development Department should develop and utilize a lease management process narrative that includes the verification of lease terms and agreements at least annually and a process for lease renewal. Additionally, a process narrative should be developed and utilized that includes a periodic quality control check of revenue received from lease concessions to ensure the revenue received is complete, accurate, and timely. The process narrative(s) should include, but not be limited to, the following lease agreement areas:

- o Lease Terms;
- o Payment Terms;
- o Hold Over Terms; and
- o Late Fee Assessments.

The Economic Development Department should create and document procedures to reconcile REPortfolio payment data to SAP in accordance with the City policy process narrative #1 PN-0446 Use of an Alternate Billing or Interfacing System to strengthen internal controls and ensure revenue is accurately accounted for and received timely.

Finding 3: Of 31 Mission Bay rental agreements, 11 (or 35 percent) are in “holdover” status, which may be leading to foregone revenue for the City and potential or perceived favoritism amongst lessees.

Finding 3 Recommendation:

The Economic Development Department should ensure that lease agreements which have extended beyond lease agreement terms receive the required Council approval and appraisal to ensure lease agreements are binding and fair market rental rate is received for the leased property.

Finding 4: The City should provide additional project information to the improvement fund oversight committees to strengthen transparency and maximize project delivery.

Finding 4 Recommendation:

The Parks and Recreation Department and Engineering and Capital Projects Department should work with both the Mission Bay Park Improvement Fund and San Diego Regional Park Improvement Fund Oversight Committees to reach an agreement and mechanism to specify which specific project elements should be provided and the frequency that the departments should generate and share the reports. For example:

- a. A well-defined project scope and, when a project scope has changed since the previous reporting cycle, an explanation on why the project scope changed;
- b. Project cost estimates and, when a project cost estimate has materially changed since the previous reporting cycle, an explanation on why the cost estimate changed;
- c. Estimated timelines for the current project phase completion and the final project completion and, when current project phase and final project completion timelines have been significantly extended, an explanation on why timelines were extended;
- d. Project expenditures to date, specifying total contractor, overhead, City personnel, and relevant permit or inspection expenditures; and
- e. Project expenditures by project phase (i.e., Bid/Award, Construction, Design, Planning, Post-Construction).

Recommendation Follow Up:

We found that the two remaining audit recommendations from the FY2021 Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds have been implemented.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Matthew E. Helm".

Matthew E. Helm, Assistant City Auditor

MH/NO

Attachment(s): Informational PowerPoint

cc: NA