
**CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR**

City Manager's Office
AUDIT OF CITY FUNDED NON-PROFIT EVENTS
PROJECT NO. AU23-005
February 1, 2024

KEVIN W. BARTHOLD, CPA, CIA, CISA
CITY AUDITOR



Table of Contents

Executive Summary 2

Background 3

Audit Scope and Methodology 5

Audit Results and Recommendations 6

 A. MLK March Monitoring 6

Appendix A – Staff Acknowledgement 8

Appendix B – Management Response 9

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the City Manager's Office (CMO) and Center City Development and Operations (CCDO), specifically City funded non-profit events. The audit objective, conclusions, and recommendations follow:

Determine if City funded non-profit events are in compliance with contract or funding agreement terms.

Overall, City funded non-profit events are in compliance with contract or funding agreement terms. The specific events we reviewed were the Dr. Martin Luther King, Jr. (MLK) March, Avenida Guadalupe Association, and the Cesar E. Chavez March (CCM). Expenditures for City funded non-profit organization events are adequately supported and allowable. Straight Line Management LLC expenditures are in compliance with contract terms for the MLK March. Furthermore, MLK March contributions from sponsor organizations are accurately deposited into the MLK March fund.

However, the audit team identified areas in which controls could be improved over the inspection and permitting of electrical equipment. Electrical inspection and permits for the MLK March were not obtained. Specifically, we identified an electrical panel box and wiring for stage lights that were not inspected for compliance with electrical code.

We provided a recommendation to management to strengthen controls and resolve the identified issue. CMO management agreed with the audit findings and have developed positive action plans to address them. Management's verbatim response is in Appendix B on page 9.

Background

The City of San Antonio funds non-profit events to benefit the community. This audit focused on specific non-profit events that included the Dr. Martin Luther King, Jr. (MLK) March, Avenida Guadalupe Association (AGA) and Cesar E. Chavez March (CCM) events. The MLK March is overseen by the MLK Commission, which was created by City Ordinance, and monitored by the City Manager’s Office (CMO). The AGA and CCM are guided by funding agreements with the City of San Antonio and monitored by Center City Development and Operations Department (CCDO).

MLK March

The mission of the MLK Commission (Commission) is to promote human equality, the principles of nonviolence, and the understanding and acceptance of racial harmony, understanding, respect, and good will among citizens, all as a way of building community among all citizens of San Antonio and across the United States. The Commission consists of not more than 50 members – no more than 20 members shall be District 2 City Council representative appointees and no more than 30 Members shall be Committee Chair appointees. The commission advances its mission through a variety of events and programs by encouraging awareness, acceptance, and appreciation of the teachings and philosophy of Dr. Martin Luther King, Jr. The Commission was awarded \$300,000 from the City of San Antonio for fiscal year 2023 to organize the annual MLK March and lead other community efforts of various events paying tribute to Dr. Martin Luther King, Jr. The funds were also used to contract with Straight Line Management LLC, performers, speakers and entertainment venues for the MLK March. The revenue and expenditures for fiscal year 2023 are as follows:

MLK Fund Balance as of September 2023	
Revenues	\$528,079
Expenses	\$450,179
Balance	\$77,900

Avenida Guadalupe Association

The City of San Antonio entered into a funding agreement with the AGA for fiscal year 2023 in the amount of \$40,000. Funds were for the activation and programming of Plaza Guadalupe events. The events are intended to benefit those that live, work, attend school or have ties to the Plaza Guadalupe and surrounding Avenida Guadalupe neighborhood located on the Westside in Council District 5.

AGA Fund Balance as of September 2023	
Revenues	\$100,000
Expenses	\$81,305
Balance	\$18,695

Cesar E. Chavez March

The City of San Antonio entered into a funding agreement with Cesar E. Chavez Legacy and Educational Foundation for fiscal year 2023 in the amount of \$100,000. Funding was provided for the public purpose of supporting the Cesar Chavez March as a catalyst for community pride. Of the \$100,000, \$75,000 will be in the form of payments to contractor and no less than \$25,000 will be in the form of services provided by the City.

CCM Fund Balance as of September 2023	
Revenues	\$100,000
Expenses	\$86,556
Balance	\$13,444

Audit Scope and Methodology

The audit scope was City funded non-profit events operations from Fiscal Year (FY) 2022 thru FY 2023 and included expenditure reviews and compliance with City contracts and non-profit funding agreements.

To gain an understanding of department operations, we interviewed City Manager's Office (CMO) and Center City Development and Operations (CCDO) personnel and conducted walkthroughs of the controls in place over the City funded non-profit events. The Straight Line Management LLC contract, Avenida Guadalupe Association (AGA) and Cesar E. Chavez March (CCM) funding agreements were our primary criteria for this audit.

We assessed internal controls relevant to the audit objective. This included a review of contract and funding agreement compliance, non-profit funding, and expenditure review and authorization practices. In addition, as part of our testing procedures we examined the following areas: a.) Expenditure review for adequate support and allowability; b.) Compliance review of contract and funding agreement terms; and c.) Review of contributions/donations to the MLK March.

We relied on computer-processed data in the SAP System to validate the expenditure amounts for accuracy and adequate support. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We 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.

Audit Results and Recommendations

Overall, City funded non-profit events were in compliance with contract and funding agreement terms and expenditures were adequately supported. We reviewed three City funded non-profit events that included the Dr. Martin Luther King, Jr. (MLK) March, Avenida Guadalupe Association (AGA), and the Cesar E. Chavez March (CCM) and determined they were in compliance with most contract and funding agreements terms.

We determined expenditures for all three City funded non-profit organization events were adequately supported and allowable. For the MLK March, we reviewed a sample of 47 expenditures valued at approximately \$346k and determined they were properly supported with detailed invoices and allowable. For AGA, we reviewed all fiscal year 2023 expenditure transactions valued at approximately \$18k and determined they were properly supported and allowable per the funding agreement. Finally, we reviewed all CCM expenditures for fiscal year 2022 and 2023 valued at approximately \$100k and \$86k respectively, and determined they were properly supported and allowable per the funding agreement.

In addition, we determined that Straight Line Management LLC expenditures were in compliance with contract terms. We reviewed three invoices valued at approximately \$146k and determined they were adequately supported and accurate. We also determined that the City received a 5% discount from Straight Line Management LLC for prompt payment of the invoices.

Finally, MLK March contributions from sponsor organizations were accurately deposited into the MLK March fund.

However, the audit team identified an area in which controls could be improved as noted below.

A. MLK March Monitoring

Straight Line Management LLC did not have permits for all electrical work done at the Dr. Martin Luther King, Jr. (MLK) March. While they did provide permits for the six generators used for the MLK March, permits were not provided for the electrical panel box and wiring for stage lights. Per the contract, Straight Line Management LLC must properly secure all equipment and adhere to proper electrical code guidelines.

CMO did not adequately monitor the Straight Line Management LLC contract to verify electrical equipment was properly inspected and had proper permits. Without adequate monitoring of adherence to electrical standards, City liability increases.

Recommendation

CMO should implement monitoring controls to verify all electrical equipment is inspected and complies with electrical standards as required by the Straight Line Management LLC contract.

Appendix A – Staff Acknowledgement

Buddy Vargas, CPA, CIA, CFE, Audit Manager
Danny Zuniga, CPA, CIA, Auditor in Charge
Rudy Carrasco, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

January 26, 2024

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

RE: Management's Corrective Action Plan for Audit of City Manager's Office City Non-Profit Events

The City Manager's Office has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendation.

Recommendations					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A	<p>MLK March Monitoring</p> <p>The City Manager's Office:</p> <p>Implement monitoring controls to verify all electrical equipment is inspected and complies with electrical standards as required by the Straight Line Management LLC contract.</p>	7	Accept	John Peterek, Assistant to the City Manager	May, 2024
<p>Action Plan:</p> <p>The City Manager's Office (CMO) has worked with Straight Line Management LLC (Straight Line) to ensure all electrical equipment is inspected and complies with electrical standards as required in contract 4400007192.</p> <p>In planning for the 2024 Martin Luther King March, the CMO sent a memo to Straight Line requesting that they provide to us 1) a list of all inspections they plan to have completed and 2) copies of certificates and reports confirming those inspections have been completed. The list should include at least inspections for all electric generator(s), electric panel(s), and stage lighting(s). This list and inspections were completed before commencement of the 2024 MLK March, and City Staff will ensure completion going forward, for as long as this contract is active.</p>					

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

Sincerely,



John Peterek
Assistant to City Manager
City Manager's Office

1/26/24
Date