



OFFICE OF INTERNAL AUDIT

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April 9, 2021

Mr. Bernard Buonanno, Jr.
Chairman
Rhode Island Convention Center Authority
One LaSalle Square- DDC
Providence, RI 02903

Dear Mr. Buonanno:

The Office of Internal Audit has completed its limited scope performance audit of the Rhode Island Convention Center Authority (RICCA). OIA reviewed RICCA's compliance with the Quasi-Public Corporations Accountability and Transparency Act and performed an audit of the parking garage construction project.

The audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in accordance with Rhode Island General Laws (RIGL) § 35-7.1-2(a) – Establishment of office of internal audit. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL § 35-7.1-10(d), entitled Annual and interim reports, states that, "Within twenty (20) calendar days following the date of the issuance of the management-response copy of the draft audit report, the head of the department, agency, public body, or private entity audited shall respond, in writing, to each recommendation made in the audit report." Accordingly, management submitted its response to the audit findings and recommendations on April 9, 2021 and such response is included in this report. Pursuant to this statute, the OIA may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the RICCA staff for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,

Dorothy Z. Pascale

Dorothy Z. Pascale, CPA, CFF
Chief

c— Honorable Senator Ryan W. Pearson Chairperson, Senate Committee on Finance
Honorable Marvin Abney, Chairperson, House Finance Committee
Daniel McConaghy, Executive Director, Rhode Island Convention Center Authority

Audit Executive Summary

Why the Office of Internal Audit Did This Review

Rhode Island General Law 42-155-7, Audit of quasi-public corporations, requires the Office of Internal Audit (OIA) to conduct a performance audit of all quasi-public corporations once every five years. This audit of the Rhode Island Convention Center Authority (RICCA) was performed in compliance with the statute.

The OIA conducted a limited scope audit of the RICCA to review its compliance with the Quasi-Public Corporations Accountability and Transparency Act as well as perform an audit of the parking garage construction project.

Background Information

The RICCA is a quasi-public organization established by the General Assembly. RICCA is responsible for the operation of the Rhode Island Convention Center (RICC), Dunkin Donuts Center (DDC), Veterans Memorial Auditorium (The Vets), and parking garage facilities.

To Strengthen Controls, the Rhode Island Convention Center Authority should:

- Improve compliance with requirements of Quasi-Public Corporations Accountability and Transparency Act
- Improve communication of project status
- Document and implement a vendor management policy

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Information and Communication

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines internal control as a process effected by an entity's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Information and communication is a key element of an effective internal control system. Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives and communication is the continual, iterative process of providing, sharing, and obtaining necessary information. During this audit, we observed an absence of clear communication between management and the Board regarding information pertaining to a construction contract. Internal controls could be improved through increased communication between management and the board as discussed in detail in the following sections of this report.

Introduction

Rhode Island Convention Center Authority

The Rhode Island Convention Center Authority (RICCA) is a quasi-public organization established by the General Assembly. RICCA operates the Rhode Island Convention Center and garages (RICC), Dunkin' Donuts Center (DDC), Veterans Memorial Auditorium (The Vets), and Clifford Street Parking Facility.

The mission of the RICCA is:

To construct, manage and operate facilities used to house conventions, trade shows, exhibitions, meetings, banquets, concerts, sporting events, family shows and other events, as well as facilities which are related thereto such as parking lots, garages, office buildings, including incidental retail facilities locations thereon. To generate positive growth in the surrounding community and the State of Rhode Island and serve as a positive influence on the quality of life in Rhode Island.

The Authority is governed by an eleven-member board of commissioners and works with several marketing partners to book its facilities. The Office of Internal Audit (OIA) performed its performance/internal audit in accordance with Rhode Island General Law (RIGL) 42-155 Quasi-Public Corporations and Transparency Act and recommendations for improvements are detailed below.

Quasi-Public Corporations and Transparency Act

Rhode Island General Law § 42-155-7, Audit of quasi-public corporations, requires the Office of Internal Audit (OIA) to conduct a performance audit of all quasi-public corporations once every five years. The OIA completed its initial five-year schedule and established a new schedule starting calendar year 2020. One component of the audit of the Convention Center was a review to determine whether compliance with the Quasi-Transparency Act requirements continued to be met.

Recommendations and Management Responses

Improve Compliance with Requirements of the Quasi-Public Corporations Accountability and Transparency Act

The Quasi-Public Corporations Accountability and Transparency Act establishes requirements that quasi-public corporations must follow to increase transparency of operations. The RICCA is included as an entity subject to the Quasi-Public Corporations Accountability and Transparency Act, and thereby, must adhere to all stipulated requirements.

RICCA adhered to the majority of the requirements under the transparency act and the following opportunities for compliance improvements were identified.

1. RIGL 42-155-4(a) states in pertinent part that board members shall:

... (4) adopt a mission statement expressing the purpose and goals for the corporation, a description of the stakeholders of the corporation and their reasonable expectations from the corporation, and a list of measurements by which performance of the corporation and the achievement of its goals may be evaluated. Each corporation shall, at least once every three (3) years, publish a self evaluation based on the stated measurements; ...

A self-evaluation based on established performance measurements was not performed in accordance with the above requirement.

2. RIGL 42-155-5 (a) (3) states:

Conduct the job performance review of the executive officer at least annually.

The RICCA performed a review of the previous executive director during 2017 and a formal executive performance review was not performed annually thereafter.

3. RIGL § 42-90-1, which states in pertinent part:

(a) All departments, commissions, boards, councils, other agencies in the government of the state and public corporations shall annually prepare and submit to the budget office by October 1 a list containing: (1) The name of any person privatization contractor, or vendor who performed legal, medical, accounting, engineering, or any other professional, technical or consultant service to the department, commission, board, council, agency or public corporation on a contractual basis during the previous fiscal year;

The quarterly contracting reports submitted to the Secretary of State did not list the Owner's Program Manager for the Clifford Garage Street Parking Garage Construction project.

Recommendations:

1. Complete a self-evaluation based on established performance measurements once every three years.
2. Document an annual, formal executive performance review.
3. Amend quarterly filings for the contracting reports to include Owner's Program Manager.

Management's Responses:

As to Recommendation Number 1 – On its website, the Authority previously posted its most recent strategic plan, which includes most of the matters to be included in a self-evaluation plan. The Authority will complete a self-evaluation and incorporate elements from its strategic plan and an assessment of its performance compared to established measurements.

As to Recommendation Number 2 – The Authority will document its annual performance review of its Executive Director.

As to recommendation Number 3 – The Authority has complied with this recommendation. The absence of the Owner's Program Manager from the quarterly filings was an inadvertent oversight; it did not occur to the Authority that the Owner's Program Manager, as part of the Clifford Garage Street Parking Garage Construction project and not a general consultant, needed to be included in the reports.

Responsible Party:

As to Recommendation Number 1 – The Authority's Executive Director.

As to Recommendation Number 2 – The Chairman of the Authority's Board of Commissioners.

As to Recommendation Number 3 – The Authority's Executive Director.

Anticipated Completion Date:

As to Recommendation Number 1 – The Authority believes it appropriate to postpone such evaluation until it resumes its principal ongoing operations for a period and will complete its next self-evaluation as part of its strategic plan by June 30, 2022 to correspond with its fiscal year end date and once every three years thereafter.

As to Recommendation Number 2 – As the Authority's current Executive Director began on March 15, 2021, the Authority will complete and document its executive review by March 15, 2022.

As to Recommendation Number 3 – The Authority has submitted its amended filings.

Document and Implement a Vendor Management Policy to Mitigate Third Party Risk

RICCA utilizes third parties to support operations and as such, there is increased risk of over reliance on third parties. The Government Finance Officers Association recommends documenting critical functions and internal controls as a best practice for policy and procedure development, including the monitoring of vendor performance and ongoing monitoring procedures for new and existing vendors.

RICCA employs control procedures over financial operations and does not have established performance metrics for engaged vendors. RICCA can enhance its existing practices by establishing performance metrics and documenting its controls and monitoring of costs compared to budgets and contractual commitments in a vendor management policy. A standardized policy would assist RICCA to consistently apply its controls, enhance its vendor oversight, and mitigate third party risk in conjunction with its Board.

Recommendations:

4. Document and implement a vendor management policy. Include within the policy conducting due diligence and document ongoing monitoring procedures for new and existing vendors.
5. Review established policies and procedures on an annual basis to determine whether revisions are necessary to accurately reflect the current financial framework and environment.

Management's Response:

As to Recommendation Number 4 – The Authority will enhance its existing vendor management controls by documenting and fully implementing its policy.

As to Recommendation Number 5 – The Authority will review and assess the need for updates to its established policies and procedures annually.

Responsible Party:

As to Recommendation Number 4 – The Authority's officers and Executive Director, with assistance of the Authority's CFO and legal counsel.

As to Recommendation Number 5 – The Authority's Finance Committee and Executive Director, with assistance of the Authority's CFO and legal counsel.

Anticipated Completion Date:

As to Recommendation Number 4 – For the reasons set forth in the Authority's response to the anticipated completion date of Recommendation Number 1, June 30, 2022 to correspond with its fiscal year end date.

As to Recommendation Number 5 – Annually, commencing after the vendor management policy is documented and fully implemented.

Parking Garage Construction

During 2016, the General Assembly directed and authorized RICCA to develop and operate a 1,250-space parking facility on state owned land adjacent to the I-195 district known as the Clifford Street Parking Garage. The RICCA engaged an Owner's Project Manager to assist with the supervision of the construction project. The contract for construction of this parking garage was awarded during March 2018 to Dimeo Construction Company (Dimeo) through a competitive bidding process.

The Board-approved initial budget for the construction project was \$45M, which included an awarded contract amount to Dimeo for \$37.2M. The remaining \$7.8M was for permits, design fees, equipment, and other expenses.

The parking garage was opened to the public via a soft open during March 2020 and work continued through December 2020. Project cost as of December 2020 is \$46,789,790 with capitalized interest of \$2,064,161 for a total cost of \$48,853,951. The project is over budget in the amount of \$3,853,951. The RICCA is proposing a bond refinancing option to fund the cost overrun.

Improve Communication of Project Status

The RICCA Board and the management of RICCA are responsible for oversight of the parking garage construction project and the related costs. The Board meeting minutes are silent regarding change orders, delegation of approval authority, or cost overruns.¹ Meeting minutes should clearly document contractual activities, delegated authority, and authorization limits.

Best practice would be to gain Board approval when cost overruns exceed an agreed upon percentage of total cost. Project changes that will require funds to resolve, and may affect available financial reserves, should be captured early, tracked, and require timely board approval.

Recommendation:

6. Improve communications between Board and management. Ensure discussion and approval of change orders or other project delays or overruns are reflected in board meetings.

Management's Response:

As to Recommendation Number 6 – The Authority's Board of Commissioners will make clear in its minutes that it has delegated these matters to the Authority's Facilities and Operations Committee and / or the Executive Director, when applicable. Enhanced communication between the Facilities and Operations Committee and the Authority's Board and management regarding project status will be a standing agenda item when projects are in progress.

Responsible Party:

As to Recommendation Number 6 – The Chairman of the Authority's Board of Commissioners and Executive Director.

¹ Refer to *Information and Communication* section of this report for further discussion.

Anticipated Completion Date:

As to Recommendation Number 6 – Upon the Authority’s next construction project.

Resolution & Corrective Action from Prior Audit

The Office of Internal Audit conducted a performance audit of the RICCA during calendar year 2016. The scope of the audit was to assess compliance with the requirements of the Quasi-Public Accountability and Transparency Act and the effectiveness of contract oversight. As part of this audit we determined whether corrective actions from the prior audit report had been fully resolved. RICCA implemented corrective action to address OIA recommendations from 2016 performance audit.

Objective and Scope

The Office of Internal Audit (OIA) conducted a limited scope audit of the Rhode Island Convention Center Authority for the period of

- January 2020 – December 2020 for the Quasi Corporation Transparency and Vendor Management Review
- June 2017 – December 2020 for the Construction Project Review

OIA reviewed RICCA compliance with the Quasi-Public Corporations Accountability and Transparency Act and audited the Clifford Street Parking Garage construction project to determine total project cost.

Methodology

As part of our audit work, the OIA gained an understanding of the RICCA and its operations. To address our audit objective, we performed the following:

- Requested information required under the Quasi-Public Act
- Searched website for adequate transparency disclosures
- Reviewed policies and procedures
- Reviewed board meeting minutes and communications
- Reviewed project tracking documents
- Reviewed parking garage construction project timeline changes, costs, overruns, change orders, communications, and approvals

The results of this limited scope audit are communicated within this report. The OIA used an external audit firm, CliftonLarsonAllen, LLP (CLA), to supplement its staff during the performance of this audit. CLA performed the detailed audit work and was selected using a competitive bidding process.