



Internal Audit Office

Tempe Center for the Arts – November 2014

**Audit Observation Status Report**

| Recommendation   | Management Response  | Status as of September 2016   | Status                    |
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| <p><b>1.1</b> It would be beneficial for the TCA to further strengthen alliances and working relationships with other arts organizations, especially within the region to keep connected with current trends, emerging challenges and opportunities, complement each other and work together to celebrate and engage the Valley in the Arts.</p> | <p><i>TCA management and staff will continue to build upon existing relationships with colleagues at local venues including Mesa Arts Center, Herberger Theater Center, Chandler Center for the Arts, Scottsdale Center for the Performing Arts and Del Webb Center for the Arts. In addition, staff will broaden relationships with regional and national venue operators, arts agencies and trade associations, such as Arizona Presenters Association, International Association of Venue Managers, United States Institute of Theater Technology, International Ticketing Association and the American Association of Museums.</i></p> | <p>TCA management staff connects on a regular basis with other local and national building operators and managers through the associations previously mentioned via conferences, local meetings, listservs and telephone conversations. Frequently accessed industry-based online news and discussion sites include VenueNet, VSA Arizona/ArtAbilities, Emergency Management, Venue Safety Alliance, Arts Ready, Arts Hacker, Kennedy Center’s Leadership Exchange in Arts and Disability (LEAD), You’ve Cott Mail, INTIX, Venues Today, Hubspot Marketing blog, the dotmailer team and others.</p> <p>In addition, staff has fostered existing, and developed new, relationships with Arizona Commission on the Arts, Arizona Volunteer Managers Association, Musical Instrument Museum, Downtown Tempe Authority, Tempe Tourism Office, Desert States</p> | <p><b>Implemented</b></p> |

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|   |  | <p>USITT, VSA Arizona/ArtAbilities, The Kennedy Center and its Leadership Exchange in Arts and Disability (LEAD) program, Chuck Jones Center for Creativity, Arizona Historical Society, Dreamworks Animation, ASU Art Museum, ASU Ceramics Research Center, Library of Congress, Arizona Artists Guild, Arizona Clay Association, Ballet Arizona, Phoenix Theatre, Southwest Shakespeare, Chicago Cultural Accessibility Consortium, Greater Pittsburgh Arts Council, Pittsburgh Cultural Trust, Steppenwolf Theatre Company, Titan Rigging, Barbizon Lighting and Arizona ticketing professionals.</p> <p>Staff have also participated as presenters at numerous arts industry conferences on a local, national and international level including the IAVM Performing Arts Managers Conference, LEAD at The Kennedy Center, TicketForce FaceTime, International Theatre Engineering Architecture Conference in London, Chicago Cultural Accessibility Consortium, Greater Pittsburgh Arts Council and Desert States USITT conference.</p> |                    |
| <b>2.1</b> The TCA should review the survey responses in detail | <i>TCA facility management will review survey responses with pertinent staff and begin</i> | Staff completed full review of audit survey in April 2015. Over the last year some of the resultant changes include:  | <b>Implemented</b> |

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| <p><b>to expand on what they are successful doing and develop a plan to address areas where patrons report shortcomings, wherever possible.</b></p>  | <p><i>development of corrective action plans, as feasible, immediately.</i></p>  | <p>expansion of catering options from 4 to 8 providers; brokered collaboration of a contracted catering company with an Indian chef to address concerns expressed by some cultural clients; clients, ticket buyers, gallery attendees and lobby visitors are surveyed on a weekly basis to solicit input. Policy for response time to complaints and compliments has been set for 24 hours with high success rate. Staff coaching is conducted when feedback from customers warrants in group or individual settings as appropriate.</p> |                           |
| <p><b>2.2 The TCA should develop and implement a process to periodically survey ticketed patrons and rental clients. Survey results can then be used by the TCA facility management as a tool for addressing training opportunities for staff and customer concerns, enhancing operations, developing new streams of revenue, and/or increasing current operating revenue.</b></p> | <p><i>TCA management and staff agree with the importance of customer feedback and will modify current intermittent survey scheduling with a structured and targeted quarterly feedback process to gather input from ticket purchasers, rental clients and general visitors beginning April 2015.</i></p> | <p>Quarterly solicitation of input and review of feedback has been implemented. Identified challenges and/or suggestions are addressed as appropriate.</p> <p>Staff regularly peruses Yelp, TripAdvisor, Wedding Wire and other customer feedback sites for commentary on visits to, or use of, the TCA.</p>   | <p><b>Implemented</b></p> |

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| <p><b>3.1</b> A niche market should be developed for the TCA. The process involves: identification of an underserved market, development of programming/product to serve that market, and then make it available and desirable to the public.</p>      | <p><i>The City is currently working with the Cultural Planning Group to develop the Tempe Arts Plan, a broad and long-range arts and culture plan for the community, led by the Community Services Department. Exploration of the TCA's position, purpose, vision and mission within the community is a key component of this process.</i></p> | <p>Development of the Tempe Arts &amp; Culture Plan was completed in the fall of 2015. Subsequently, an implementation strategy was presented to City Council and approved on Nov. 12, 2015. One of the primary focus areas of the Arts Plan concerns the position of the TCA within the overall arts community. TCA-specific recommendations include the establishment of a program series to expand upon co-produced collaborations as well as development of a new artist presenting series. As the Plan proceeds, a niche market for the TCA may be identified. Staff anticipates, pending approval of supplemental budget funds, instituting an introductory performance series of 4-5 performances in late FY17 with plans for expansion to an 8-10 performance series in FY18 and beyond.</p> | <p><b>Partially Implemented</b></p> |
| <p><b>3.2</b> Once a niche market has been identified, the next step is for the TCA to establish a clear mission and vision – something that uniquely identifies the Center and its niche in the market. The TCA's vision should be for the future</p> | <p>See above response for <b>3.1</b></p>   | <p>The aspects of this recommendation will solidify as the Tempe Arts &amp; Culture Plan moves forward.</p>  | <p><b>Not Implemented</b></p>       |

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| <p>that it wants to create for the community it wants to impact. Goals should then be aligned with the mission and vision. The TCA should stay the course with its vision and mission in order for it to be realized. It can take years to grow into a successful center. Constant changes to vision/mission or the absence of a strong direction and development of its niche will likely keep the TCA floundering; continuously searching for its identity.</p> |  |  |                               |
| <p><b>3.3</b> Once a clear mission and vision have been established for the TCA, share it with employees, the community and the public at large. Celebrate with enthusiasm. A periodic review will also help ensure the mission and vision remain relevant and that goals are effectively facilitating their realization as the</p>   | <p>See above response for <b>3.1</b></p> | <p>The Tempe Arts &amp; Culture Plan addresses future development and evaluation of all aspects of the arts in our community, including the activities at the TCA.</p> | <p><b>Not Implemented</b></p> |

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| TCA evolves.  |  |   |                              |
| <b>4.1</b> A determination should be made as to the optimal organizational structure for the TCA to fulfill a newly established mission and vision for the entity. The question of whether or not the City is the best choice and has adequate expertise to develop and manage a successful arts center should be addressed. A determination of sourcing for the production of performances also needs to be considered: in-house, co-productions, reliance on outside productions or a combination of the above. | <i>The City anticipates addressing this recommendation with the development of the Tempe Arts Plan, anticipated to be complete in July 2015 and approved by City Council thereafter.</i>                             | One aspect of the Tempe Arts & Culture Plan is the appointment of a newly created Deputy Community Services Director - Arts & Cultural Services. Formulation of mission, organizational structure and operational priorities will be a focus of the Deputy. | <b>Partially Implemented</b> |
| <b>5.1</b> Once the TCA's niche market, mission, vision, and organizational structure have been determined, a needs assessment and strategic  | <i>The City anticipates addressing these concerns, as well as options to address the impending sunset of the performing arts tax, with the recommendations of the Tempe Arts Plan, anticipated to be complete in</i> | Community Services and Financial Services staff have been in discussion regarding necessary future funding for the successful operation of the TCA, including changes in programming options and service levels. Development of a formal plan will be       | <b>Partially Implemented</b> |

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| <p><b>plan is essential to ascertain how gaps between revenues and expenditures will be filled. A formal plan should be developed that includes options without the tax, or possibly going to voters for a full or partial tax extension.</b></p>   | <p><i>July 2015, and approved by City Council thereafter.</i></p>   | <p>forthcoming prior to the existing arts tax sunset. In addition, the Tempe Municipal Arts Commission has identified reauthorization of the tax as a priority in the coming year and will work on some options for Council consideration as to how the tax should be funded.</p>  |                                     |
| <p><b>6.1 The TCA should develop a creative and systematic marketing program focused on both programmatic and institutional perspectives. The marketing program should support the mission and vision of the TCA. The return on investment (ROI) should also be measured for all significant advertising and marketing efforts.</b></p> | <p><i>A marketing and public relations officer dedicated to the TCA was hired in January 2015. This individual is charged with creating a comprehensive marketing plan to address items such as branding, program visibility, demographic reach/diversity and institutional exposure. In addition, this staff member will carry out direction from a strategic plan, goals of the Tempe Arts Plan and marketing recommendations of the internal audit report.</i></p> | <p>Marketing and Public Relations efforts have significantly increased since the addition of a full-time staff member in January, 2015, with the primary focus toward exposure of program offerings at the TCA. After 12 months, social media expansion has resulted in a 300% increase in “like” rate and 3985% increase in daily organic reach to Facebook users. Instagram and Twitter followers continue to increase. Staff created a new bi-weekly event newsletter which reaches a current subscriber list of 12,817. Based on zip codes of most active TCA and regional ticket buyers, semi-annual full-section entertainment preview inserts in the Arizona Republic have been distributed to 54,782 (Fall) and 58,900 (Spring) homes in the valley. Since there is not yet a means to track ticket buying habits of privately produced events</p> | <p><b>Partially Implemented</b></p> |

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|   |  | <p>(Childsplay, Lakeshore Music and others, for example) assessment of ROI is difficult. ROI tracking will become feasible with the start of a TCA entertainment series, one aspect of the Tempe Arts &amp; Culture Plan.</p> <p>As mission and vision are developed via the Arts &amp; Culture Plan, the marketing program will be retooled to support same.</p> |                                     |
| <p><b>6.2</b> TCA should identify where patrons of the TCA reside geographically utilizing existing resources to target specific areas. This serves two purposes:</p> <ol style="list-style-type: none"> <li>1. Determination of what areas most frequent the TCA, and</li> <li>2. Determination of what markets are potentially untapped. This information can serve as a guide for more effective targeted marketing by geographic area.</li> </ol> | <p>See above response for <b>6.1</b></p> | <p>As mentioned above, targeting efforts have been utilized for the distribution of newspaper inserts. Such efforts will be trackable with the introduction of a TCA-produced entertainment series anticipated for late FY17.</p>   | <p><b>Partially Implemented</b></p> |
| <p><b>6.3</b> Suggestions to evolve the</p>   | <p>See above response for <b>6.1</b></p> | <p>Several suggestions have been continued or introduced, some of which</p>   | <p><b>Implemented</b></p>           |

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| <p>marketing program and increase institutional visibility of the TCA include the following:</p> <ul style="list-style-type: none"> <li>✦ Develop a captive marketing brochure.</li> <li>✦ Collaborate with Chamber of Commerce, and/or visitors' bureaus to build a strong relationship between tourism in Tempe and the TCA.</li> <li>✦ Include brochures in the City's monthly water billings</li> <li>✦ Buy inexpensive poster frames and ask local businesses with public traffic to hang your posters in their waiting areas.</li> <li>✦ Design theater coupons as bookmarks and distribute in area libraries, bookstores, and schools.</li> <li>✦ Ask area hotels, realtors, and restaurants to display brochures in the racks in their public areas.</li> <li>✦ Visit with local Kiwanis, Rotary, YMCA, and other</li> </ul> |                     | <p>have been addressed above. Others include:</p> <p>Staff continues to build upon existing relationships with Downtown Tempe Authority (DTA) and Tempe Tourism Office (TTO). Collaborative projects in the past year have included:</p> <ul style="list-style-type: none"> <li>• Installation of a TCA-related “selfie station” in downtown Tempe</li> <li>• “Best Photo Ever” contest in conjunction with DTA to boost awareness of the TCA</li> <li>• InstagramAZ “Insta-meet” where TCA hosted 80 Instagram photographers for an evening of exploration around the facility</li> <li>• Distribution of TCA event fliers at DTA and TTO locations</li> </ul> <p>Staff is currently researching restaurant partnerships to offer “dinner and a show” packages.</p> <p>A holiday ticket campaign with several event producers participating reached 61,000 people.</p> <p>Relationship with a Group Tickets America has been established.</p> <p>Staff continues to build relationships with concierge groups and other tourism-related representatives.</p> |        |

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| <p>service clubs and encourage them to book an annual theatre party at TCA.</p> <ul style="list-style-type: none"> <li>✦ Freeway signage from the Loop 202.</li> <li>✦ Light Rail advertising.</li> <li>✦ City building advertising.</li> <li>✦ Independent robust website and social media.</li> <li>✦ Holiday promotion for gifts.</li> <li>✦ 'Groupon' or other similar program offerings.</li> <li>✦ Gift certificate promotions.</li> <li>✦ Cyber Monday Offers.</li> <li>✦ Exclusive presales for 'members.'</li> <li>✦ Acquire and retain season subscribers - discounts on order fees, prizes, VIP access to pre-sale tickets (expand on current flex pass option).</li> <li>✦ Electronic Newsletter.</li> <li>✦ Advertise group or bundle discounts and special packages.</li> <li>✦ Special gala performances.</li> <li>✦ Unusual exhibitions and</li> </ul> |                     |                                |        |

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| <p>lectures.</p> <ul style="list-style-type: none"> <li>✦ The use of celebrities.</li> <li>✦ Appearances on television and radio programs.</li> <li>✦ Stories in major print outlets.</li> <li>✦ Involvement in high visibility public functions.</li> </ul>   |  |   |                                     |
| <p><b>7.1</b> TCA facility management should consider raising their facility rental rates towards the prevailing market, but still remain competitive. In addition, management should develop a process to routinely perform a comparable analysis of other arts centers in the Valley to ensure they are competitive and within prevailing market venue rates and adjust their rates accordingly.</p> | <p><i>TCA management is currently in the process of assessing rental rates and will continue to analyze the market on a routine basis with the goal of recommending appropriate rate adjustments for approval by City Council.</i></p> | <p>Discussions have taken place with Community Services leadership regarding changes in the rental rate structure. It was determined that a rate change for local non-profit arts organizations is not advisable, at this time. Commercial rates, however, will be adjusted as a part of the operating policies revisions. Staff anticipates presentation of revised policies/rates to Council approximately June 2016 or after the upcoming change in Arts and Cultural Division leadership.</p> | <p><b>Partially Implemented</b></p> |
| <p><b>7.2</b> The TCA should assess whether or not continuing these performances fits within their mission and</p>   | <p><i>TCA management will work within the parameters of the future Tempe Arts Plan and guidance from City input to determine if continuing</i></p>   | <p>The council-approved Implementation Strategy for the Tempe Arts &amp; Culture Plan calls for an examination of the mission and usage priorities of the TCA. Once established, producing and</p>  | <p><b>Partially Implemented</b></p> |

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| <p>vision. Options can include expanding upon TCA-managed events, co-productions with partners, or only bringing in externally-produced programming.</p>  | <p><i>TCA-managed events is feasible, and if so, to what extent and cost.</i></p>  | <p>partnering projects at the TCA will be assessed and either expanded or eliminated per the revised mission. Funds have been requested in the FY17 budget to allow the new Deputy Director the opportunity to program.</p>  |                                     |
| <p><b>7.3</b> Should TCA maintain these events, facility management should explore ways to turn these events to a break-even point or even turn a profit (including overhead costs) and look to best practices at other similar centers. For large scale events, TCA facility management needs to consider the following in its cost analysis:</p> <ul style="list-style-type: none"> <li>▮ Price negotiation.</li> <li>▮ Partnering with other groups/organizations for touring artists.</li> <li>▮ Corporate and other sponsorships to reduce costs.</li> <li>▮ Tiered pricing -VIP levels</li> </ul> | <p><i>TCA management agrees with the recommendations and currently practices many of these measures when considering entertainment options, when determining whether to produce events and when developing ticket pricing structures. Tiered-pricing and VIP ticketing options are explored in those instances where appropriate to the particular event and according to market feasibility. TCA management will begin development of a mechanism to fully address overhead costs associated with specific events in July 2015.</i></p> | <p>The nature of TCA programming, along with the associated costs and risks, will be evaluated as the Arts Plan implementation proceeds.</p> <p>Event planning worksheets have been developed to assist in establishing appropriate ticket prices in relationship to production costs.</p> | <p><b>Partially Implemented</b></p> |

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| could help with profitability.   |   |   |                              |
| <b>7.4</b> TCA should seek the assistance of an in-house or contracted marketing and fundraising professional to increase donations and seek corporate sponsorships. In addition, a properly structured and robust foundation could assist in soliciting sponsorships and donations. In order to increase the sustainability of the Center, the TCA, in conjunction with a foundation, using its 501(c)(3) status, should pursue larger grant opportunities. | <i>TCA management agrees with the recommendation. Community Services leadership has worked with a TCA-related non-profit organization since establishing a memorandum of understanding with the entity in 2009. Having changed leadership several times since inception, the organization has been less successful in fund raising efforts than anticipated. The Tempe Arts Plan is assessing the position and viability of the entity and will present potential solutions in final recommendations.</i> | <p>The Tempe Arts &amp; Culture Plan provides several recommendations regarding fund-raising for the TCA and the arts in general. A supplemental budget request for a full-time fundraising officer has been scheduled for FY18.</p> <p>In addition, the Plan calls for the initiation of a campaign focusing on naming rights for the TCA; the establishment of an endowment for the TCA; and the creation of a Business Committee for the Arts to provide private sector arts leadership and manage the endowment fund.</p> | <b>Partially Implemented</b> |
| <b>7.5</b> TCA facility management should consider shifting the cost and risk of comp tickets to clients (production companies) through charging a higher convenience fee to the   | <i>TCA management is addressing this recommendation as part of a revision of operating policies to be submitted for City Council approval prior to July 2015.</i>   | <b>No response regarding Status of this Recommendation</b>  | <b>Not Implemented</b>       |

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| <p>production company for each comp ticket processed to recover costs associated with these ticket sales.</p>   |   |  |                                     |
| <p><b>7.6</b> Convenience fee rates should be reviewed by TCA facility management and consideration given to increasing rates to align with other cities and cover the full cost of producing a ticket.</p>   | <p><i>TCA management is addressing this recommendation as part of a revision of operating policies to be submitted for City Council approval prior to July 2015.</i></p>  | <p><b>No response regarding Status of this Recommendation</b></p>  | <p><b>Not Implemented</b></p>       |
| <p><b>7.7</b> The following considerations should be assessed by TCA prior to the next extension of the Childsplay agreement:</p> <ul style="list-style-type: none"> <li>✦ Passing on to Childsplay the costs of front of house staff that facilitate their performances.</li> <li>✦ Clear language to explicitly address the City's ability to use the Main Theater and Studio stages used by Childsplay during the day for evening</li> </ul> | <p><i>TCA agrees with this recommendation and will work with Childsplay management to investigate an addendum to the current agreement and seek permanent revision to address these issues prior to renewal in June 2016. TCA management and staff will continue to work with Childsplay management to maximize revenue opportunities when Childsplay is occupying a performance space. In addition, TCA management will further clarify existing operating policy regarding shared use of such space</i></p> | <p>Due to the negotiation of a separate agreement with Childsplay concerning the use of the former Mitchell School property, some considerations for change to the Long term Use Agreement have been postponed, including an increase in facility use fees.</p> <p>The aforementioned addendum has been under discussion. Clarification of shared use of the performance spaces will be addressed with the 2016 renewal. Any changes to rates and other expenses will likely be instituted beginning in July 2017.</p> | <p><b>Partially Implemented</b></p> |

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| <p><b>performances and events when Childsplay is not performing whenever moving Childsplay's set is feasible. This could open up new revenue producing spots in TCA's schedule.</b></p>  | <p><i>in the revision of general operating policies to be submitted to City Council for approval prior to July 2015.</i></p>                         | <p>General Operating Policy revisions continue to develop and have not yet been presented to Council. TCA Management hopes to accomplish such submission by end of FY16.</p>  |                                     |
| <p><b>7.8 TCA facility management should track expenses (direct and overhead) related to Childsplay (and other) performances to determine the extent that related costs are recovered. If revenues are insufficient to cover costs, management should work with Childsplay to facilitate a more equitable agreement and at minimum break even.</b></p> | <p><i>TCA management agrees with this recommendation and will begin development of a process to track such expenses on or before April 2015.</i></p> | <p>Systems to accurately and fully track the cost of a visiting production company have not been successfully developed. Models from other venues have been obtained and reviewed, but time limitations due to insufficient staff have hampered the effort to revise these models and put them into practice.</p> | <p><b>Partially Implemented</b></p> |
| <p><b>8.1 TCA should work with the City's Finance Division to reconcile the significant variance between TCA's physical asset listing and the City's recorded asset listing.</b></p>   | <p><i>TCA management will meet with the Finance Division staff to begin resolution of this recommendation by April 2015</i></p>                      | <p>Though several conversations have ensued, this recommendation has not yet been initiated. However, in a recent conversation, Accounting staff indicated that the Financial Services Dept is exploring the possibility of a city-wide inventory management system to enable more effective</p>                  | <p><b>Partially Implemented</b></p> |

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|   |  | tracking of assets. TCA staff will continue to pursue such a system with Financial Services.   |                                     |
| <p><b>8.2</b> TCA should continue to document assets with enough detail so the asset is identifiable by location and revenue produced from usage. The listing requires regular updating with new assets and removal of items taken out of service or sold for salvage. TCA should establish a tracking and transfer process for assets moved from one venue to another venue for use. A process of tracking and transfer helps to safeguard assets and revenue by reducing the risk of exposure to both assets and revenue generation from their use. The frequency of use information will further help the TCA to construct an equipment replacement plan based</p> | <p><i>TCA management and staff will continue to document assets with the recommended suggestions regarding updating. Staff will begin development of a tracking and transfer process by March 2015. In addition, TCA management, in discussion with Community Services leadership, will determine assignment of a capital asset custodian pending staff availability by June 2015.</i></p> | <p>Staff has continued to update records as necessary. More work and guidance is needed regarding the development of a comprehensive database and time-efficient means of monitoring assets. As mentioned in 8.1, conversations with Financial Services staff indicate that a city-wide inventory system may be available in the future.</p> <p>A capital asset custodian has not yet been assigned.</p> | <p><b>Partially Implemented</b></p> |

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| <p>on usage and expected lifecycle. A capital asset custodian should be identified to manage this process.</p>                                  |   |  |                                     |
| <p><b>8.3</b> TCA should explore implementing a ticket service charge and establishing a fund for future capital asset replacement.</p>         | <p><i>TCA management agrees and will include introduction of such a fee, often named restoration fee or facility fee, in the revised operating policies to be submitted for City Council approval prior to July 2015.</i></p> | <p>A fee has not yet been established. However, a budget supplemental request for FY17 has been submitted for funds to support annual upkeep of building systems such as HVAC, plumbing, fire alarms, security cameras and other critical systems.</p> <p>Staff plans to include a facility restoration fee in the revised operating policies to be presented to Council prior to the close of FY16.</p> | <p><b>Partially Implemented</b></p> |
| <p><b>8.4</b> TCA capital asset policies and procedures should be clearly documented and communicated to TCA facility management and staff.</p> | <p><i>TCA management will arrange to meet with the appropriate city staff prior to April 2015.</i></p>  | <p>TCA and Accounting staff have discussed the need for a city-wide asset/inventory system for tracking items and the associated procedures. It is the understanding of TCA staff that Financial Services has recently revised policy regarding the monetary threshold for “capital” assets. Staff will continue to work with FS to clarify policy and put measures into practice.</p>                   | <p><b>Partially Implemented</b></p> |
| <p><b>8.5</b> The TCA should review the function of accounts receivable and system</p>  | <p><i>TCA management agrees with this recommendation and has begun a review of the suggested functions.</i></p>   | <p>Access rights are reviewed monthly and adjustments are made accordingly.</p>  | <p><b>Implemented</b></p>           |

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| <p><b>access rights and evaluate for separation of duty. Management approval should be obtained prior to posting any adjustments, voids or cancellations that directly affect the TCA's revenue. Alternatively, a report could be generated routinely and reviewed by management that details voids, adjustments and cancellations to confirm that approvals support the transactions posted.</b></p> | <p><i>Development of an adjustment approval and tracking process will be started immediately.</i></p>   | <p>All adjustments, cancellations, etc. are reviewed and approved by TCA Management. Such transactions are documented via email, a copy of which is included in the appropriate electronic event log.</p> |                           |
| <p><b>8.6 When payments on account are received, someone independent of accounting functions (especially accounts receivable) should open all mail, separate out checks and prepare a check log. The person preparing the check log should prepare a deposit and store it in the main safe for pickup by</b></p>  | <p><i>TCA management agrees with this recommendation and has implemented procedures to accept, log and deposit incoming payments and to track deposits within the city's PeopleSoft Financials program.</i></p> | <p>Ongoing.</p>   | <p><b>Implemented</b></p> |

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| <p>armored courier along with other bank deposits. After accounts receivable posts the payment, the deposit should be compared to the postings to confirm they match.</p>  |   |  |                               |
| <p><b>8.7</b> TCA should expand and utilize the capacity of EventPro to administer customer accounts receivable (invoicing) and mapping to PeopleSoft. This will serve to streamline the accounts receivable process and serve to enhance overall efficiency and effectiveness. The EventPro system has capabilities to record payment type, cost center, account code and department code along with exporting the data to potentially interface with PeopleSoft. This will require additional training of TCA staff to use</p> | <p><i>TCA management will work with the city's Information Technology Department to explore expanded accounting capabilities of the EventPro system and the potential for interfacing with PeopleSoft financials by May 2015.</i></p> | <p>In working with city ITD, we have found no successful means to interface EventPro with PeopleSoft. Given this challenge, staff is continuing current practice.</p> <p>TCA management is not currently using accounts receivable capabilities in EventsPro system.</p> | <p><b>Not Implemented</b></p> |

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| the financial module of EventPro including proper setup for this process.  |   |  |                                     |
| <b>8.8</b> Finance should further review the original recording of actual costs and payments for fixed art from all sources for accuracy and completeness. The reconciliation should include detailed transactions, reference to supporting information that clearly establishes an audit trail, and a sub-ledger that supports the fixed art assets allocated to the TCA matched to funding sources. Adjustments or transfers to the capital asset ledger should be made as determined appropriate. | <p><u><b>TCA</b></u><br/> <i>TCA management will make itself available to work with city Financial Services staff to accomplish the above recommendation.</i></p> <p><u><b>Finance</b></u><br/> <i>Finance will work with the TCA to investigate the underlying variance and implement corrective action if deemed necessary.</i></p> | <p>TCA management continued discussion with Financial Services staff, resulting in the following response: Accounting reviews invoices posted to the City's general ledger in both the municipal arts fund as well as the TCA capital project fund. Those items meeting the appropriate dollar thresholds were then identified and capitalized for a total of \$994,232 in fixed art assets. Accounting is unable comment on the \$83,768 discrepancy as we are unsure of where the total of \$1,078,000 was obtained.</p> | <p><b>Not Implemented</b></p>       |
| <b>8.9</b> TCA should restrict access to supplies inventories to only those employees that need them in the course of  | <p><i>TCA facility management will immediately review restricting access within the parameters of an active working facility and explore</i></p>  | <p>All active inventory items are stored within sightlines of staff, monitored on a regular basis and secured whenever feasible. An appropriate perpetual inventory monitor has not been</p>   | <p><b>Partially Implemented</b></p> |

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| <p><b>their responsibilities. A well-maintained perpetual inventory system, managed by an individual that does not have or need access these inventories should be established for better control.</b></p>   | <p><i>the feasibility of assigning staff in individual areas of operation to act as inventory monitors.</i></p>  | <p>identified to date.</p>   |                           |
| <p><b>8.10 Art on Loan agreements should include an insurance requirement and specify the need for the artist/owner to name the City as an additional insured on the policy for the period of the loan. A certificate of insurance should be provided the City and the TCA prior to display of artists' works.</b></p> | <p><i>TCA staff is currently revisiting this policy and seeking guidance from Risk Management and the City Attorney's Office. Staff will investigate standard practice in other galleries in the Valley.</i></p> | <p>Discussion with the city attorney's office resulted in the following determination:</p> <p>The practice of the exhibiting institution insuring an artists' work on loan is industry standard in Maricopa County. The City's insurance covers artwork in the following limits:</p> <ul style="list-style-type: none"> <li>✦ \$5,000,000 with respect to Furs, Jewelry, Precious Stones and metals not used for industrial purchases.</li> <li>✦ \$10,000,000 with respect to Fine Arts, subject to a per item sublimit of \$5,000,000.</li> <li>✦ \$5,000,000 with respect to Valuable Papers and Records.</li> </ul> <p>Therefore, it is acceptable that TCA does not require artists to provide separate COIs per Community Services' internal policy, which is in</p> | <p><b>Implemented</b></p> |

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|   |  | line with the industry standard. The artwork is adequately covered by the City's Property Insurance limits.  |                              |
| <b>8.11</b> The TCA should develop a comprehensive policy and procedure manual to guide operations and ensure elements of effective internal controls are incorporated within.  | <i>TCA management and staff will work to consolidate policies and procedures that are in place, but not as a collective document, by June 2015. As part of this process, TCA management will seek guidance from the Internal Audit Office for policies which need to be developed.</i> | Individual procedural documents are collected in a shared drive. Though some are completed, others are in the process of revision. In addition to the "how to" documents, staff reviews procedures frequently to ensure proper adherence and good business practice. | <b>Partially Implemented</b> |
| <b>9.1</b> TCA should establish a formal policy that addresses adding, modifying and terminating user privileges. The policy should also include provision for periodic management review of user logs for any irregularities or discrepancies. | <i>TCA management agrees with this recommendation and will institute such policy by April 2015.</i>  | TCA Management reviews user privileges on a monthly basis, deleting and adding users as appropriate.   | <b>Implemented</b>           |
| <b>9.2</b> TCA should establish a process to grant third parties access as needed as opposed to leaving   | <i>TCA management agrees with this recommendation and will institute such policy by April 2015.</i>  | After re-examining this recommendation TCA management decided to maintain user accounts in some applications. System access is monitored carefully with permissions  | <b>Implemented</b>           |

| Recommendation   | Management Response  | Status as of<br>September 2016   | Status                              |
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| <p><b>their credentials open at all times.</b></p>   |  | <p>tailored to the specific needs of regular third party users. For example, third party users of TicketForce can only access sales records of their specific event(s) and no others. TicketForce user accounts remain active to the specific event allowing for access to the event sales records after it has passed – a common requirement. Since access is limited to his/her specific event or series of events, the user account is not deleted.</p> |                                     |
| <p><b>9.3 TCA should routinely review users, including customers that set up accounts on TicketForce, to identify and address any potential security or data integrity concerns.</b></p>               | <p><i>TCA management has established a scheduled quarterly review of EventPro users. In addition, management and staff will consult with TicketForce staff to explore review options within the ticketing program with the goal of a first review by May 2015.</i></p> | <p>TicketForce online customer accounts are secured by GeoTrust (rated in top 5 SSL providers) with payment processing through VeriSign PayFlow Pro and as such, sensitive credit card information is not retained within the TicketForce system.</p> <p>Staff confers regularly with TicketForce representatives and city IT staff to update systems as necessary.</p>  | <p><b>Implemented</b></p>           |
| <p><b>9.4 Functional access controls should be incorporated within both systems to ensure adequate segregation of incompatible functions. One individual should not have the ability to create</b></p> | <p><i>TCA agrees with this recommendation and is exploring procedures to accomplish this with limited staff.</i></p>   | <p>Many functions have been segregated. However, the challenge of overlap, in particular with EventPro, stills exists due to lack of available staff.</p>  | <p><b>Partially Implemented</b></p> |

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| <p>events, post charges, post payments, void transactions (both charges and payments), void invoices and cancel events.</p>  |   |   |                                     |
| <p><b>9.5</b> TCA facility management should periodically review and evaluate system logs for irregularities as part of the system control process.</p>  | <p><i>TCA agrees with this recommendation and has instituted a schedule of quarterly review of logs.</i></p>                    | <p>Ongoing</p>  | <p><b>Implemented</b></p>           |
| <p><b>9.6</b> The City should also consider expanding the existing policy of required disclosure to include temporary employees so that any potential conflict of interest can be addressed and appropriate job roles and system access is limited to avoid any improper disclosure of TCA competitive data.</p> | <p><i>TCA management will confer with Community Services and Human Resources leadership to address this recommendation.</i></p> | <p>Discussion with Human Resources staff regarding disclosure has occurred. TCA staff is awaiting response and direction from HR.</p> <p>Temporary employees are assigned access permissions to only those aspects of systems that are required for successful job function, thus limiting access to event data and avoiding trade information security challenges.</p> | <p><b>Partially Implemented</b></p> |
| <p><b>10.1</b> TCA facility management should ensure all catered</p>   | <p><i>This practice was implemented beginning July 1, 2014. Catered</i></p>   | <p>As stated, this practice was implemented beginning July 1, 2014.</p>   | <p><b>Implemented</b></p>           |

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| <p>events are accounted for each month including accurate and complete entry of events into the EventPro system. Invoices and subsequent commission payments should be reconciled to a report generated from EventPro of all catered events for the period. This will ensure the completeness of catering commission revenue.</p>                                    | <p><i>events are monitored on a monthly basis.</i></p>   | <p>Catered events are monitored on a monthly basis.</p> |                           |
| <p><b>10.2</b> If and when another RFP for catering services is issued, or if existing contracts are renewed, a due date for the annual listing fee should be included in the contracts. In the meantime, TCA facility management should work with Procurement to establish a mutually agreed upon annual due date with current vendors. Consideration should be</p> | <p><i>TCA management has drafted an addendum to the current catering contracts to address these issues and is working with the city Procurement Office staff to include the addendum in contract renewal documents and in any future contracts for catering.</i></p> | <p>RFP 16-081 includes all described measures.</p>      | <p><b>Implemented</b></p> |

| Recommendation  | Management Response                       | Status as of September 2016  | Status                    |
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| <p>given to inserting penalties for late payments into any new catering RFP/agreements.</p>   |   |  |                           |
| <p><b>10.3</b> TCA facility management should address the lateness of catering commission payments with the appropriate vendors. Any subsequent catering contracts should include a provision for late charges.</p>   | <p>See above response for <b>10.2</b></p> | <p>RFP 16-081 includes all described measures.</p>   | <p><b>Implemented</b></p> |
| <p><b>10.4</b> To ensure the correct commission calculations, food and beverage amounts need to be detailed on the vendors' invoices and not lumped with other services. TCA facility management should contact each vendor to request that detailed charges be included rather than package pricing totals. This issue should be addressed in any future</p> | <p>See above response for <b>10.2</b></p> | <p>RFP 16-081 includes all described measures. Additionally, stipulations are reviewed with each monthly commission report from vendors.</p> | <p><b>Implemented</b></p> |

| Recommendation   | Management Response  | Status as of September 2016  | Status                       |
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| contracts.   |  |  |                              |
| <b>10.5</b> Should the current contracts be renewed or a new RFP be issued, TCA facility management should work with Procurement to address complimentary services and develop guidelines to address the issue of the TCA not receiving commissions on these services.     | See above response for <b>10.2</b>   | RFP 16-081 includes all described measures.  | <b>Implemented</b>           |
| <b>10.6</b> TCA facility management should explore the capacity of the EventPro system to determine whether events with merchandise sales can be specifically identified. This would assist staff in reconciling merchandise sales to ensure all commissions are received. | <i>TCA management agrees with this recommendation. TCA staff currently maintains this information in its Front-of-House system; however, the feasibility of utilizing the EventPro system for such tracking will be investigated and, if available, will be implemented by March 2015.</i> | Events with merchandise sales are identified in the “Comments” section of each event file in EventPro. Staff has not found a means to easily/automatically identify such events. An EventPro update is anticipated in the next year. Staff will inquire about merchandise sales tracking at that time. | <b>Partially Implemented</b> |
| <b>10.7</b> TCA facility management should consider equal application of   | <i>TCA management will consider this recommendation in its revised operating policies to be submitted to</i>   | This recommendation remains in consideration for the operating policies revisions. Submission to City Council is anticipated by the end of FY16.   | <b>Partially Implemented</b> |

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| <p>merchandise sales commission rates across all groups. Although the increase in commissions received would result in a small revenue increase, this practice would provide consistency of treatment.</p>   | <p><i>City Council for approval.</i></p>         |  |                           |
| <p><b>10.8</b> TCA should develop a policy to periodically change the safe access code. Annual code revision should be a minimum standard with more frequent changes to be made depending on staff turnover/reassignment. Only those with a need should have access to the safe. The safe should be closed and locked when not in use.</p> | <p><i>This process has been implemented.</i></p> | <p>Ongoing</p>                                   | <p><b>Implemented</b></p> |
| <p><b>10.9</b> TCA should immediately cease the practice of charging back organizations producing</p>  | <p><i>This practice has stopped.</i></p>         | <p>This practice was stopped as of May 2014.</p> | <p><b>Implemented</b></p> |

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| <p>events to recoup credit card fees. If TCA chooses not to charge the credit card fee upfront to the cardholder, TCA facility management should request the assistance of the Procurement Office to review options to recoup the processing fee by other means such as an “administrative fee” charged to production clients that would include box office set up, administrative processing, bank fees, paperwork, etc.</p> |  |   |                           |
| <p><b>10.10</b> Financial Services should provide formal training citywide to areas with credit card processing to ensure all areas are knowledgeable about credit card rules and the requirements contained in the City’s credit card processing contract with our financial institution.</p>  | <p><u><i>Finance</i></u><br/> <i>Finance will send out a message citywide in March (and then every January after that) discussing appropriate credit card processing protocol.</i></p> <p><u><i>TCA</i></u><br/> <i>TCA management and staff will continue to maintain regular contact with Financial Services staff regarding bank-related policies and procedures.</i></p> | <p>Staff remains in close contact with Financial Services staff regarding changes in procedures, etc.</p> <p>Most recently, TCA has begun taking rental payments and deposits via credit card. Staff from both departments worked closely to coordinate training and facilitate the change.</p> | <p><b>Implemented</b></p> |

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| <b>10.11</b> TCA facility management should review the revenue by venue and day of week and develop a strategy to capitalize on opportunities to increase facility revenue on low-use days.   | <i>TCA management agrees with this recommendation and will implement as suggested by June 2015.</i>   | TCA management continually reviews space availability in conjunction with the work-load capacity of staff. Though not yet fully implemented, marketing efforts to focus on business meetings in the smaller capacity Carter Lounge are under way. | <b>Partially Implemented</b> |
| <b>10.12</b> TCA facility management should take the following steps to strengthen internal controls over cash handling including: <ul style="list-style-type: none"> <li>✦ Review and update TCA Cash Handling Procures to include adequate segregation of duties and responsibilities.</li> <li>✦ Prohibit access to funds by the same person that is generating, modifying and voiding invoices and initiating collections actions.</li> <li>✦ Restrictively endorse checks upon receipt.</li> <li>✦ Store undeposited funds in a secure location and limit the number of</li> </ul> | <i>These recommendations have been implemented within the limitations of staff availability. Though frequency of deposits has been increased, TCA facilities management is pursuing ways to use the limited number of staff to make daily deposits while maintaining segregation of duties.</i> | Staff limitations persist, making daily deposits impractical. All recommended measures to effectively segregate money-handling functions have been successfully implemented and are operating smoothly.   | <b>Implemented</b>           |

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| <p>individuals with access to the funds.</p> <ul style="list-style-type: none"> <li>✦ Increasing the frequency of deposits.</li> <li>✦ Identifying a single point of receipt for all deposits.</li> <li>✦ Train and effectively communicate updated cash handling procedures to TCA staff.</li> </ul>  |  |  |                                     |
| <p><b>10.13</b> The TCA's Operating Policy related to the 25% deposit for events should be reviewed and updated, as applicable. The policy should identify who and when an exception to the deposit policy maybe be granted. Any delegation of duties should be documented, properly approved by facility management and a copy of the authorization document should be maintained by TCA.</p> | <p><i>TCA management is addressing this recommendation as a part of a revision of operating policies to be submitted for City Council approval prior to July 2015.</i></p> | <p>Submission of Operating Policy revisions has been delayed and is now anticipated by end of FY16.</p>          | <p><b>Partially Implemented</b></p> |
| <p><b>10.14</b> TCA should consider documenting a change</p>   | <p><i>TCA management agrees with this recommendation and will</i></p>  | <p>After extensive trial during client events, staff has determined that attempting to continuously document</p> | <p><b>Implemented</b></p>           |

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| <p><b>order for all amendments to services and prices after initial agreements are signed. The customer's signature should be required for all change orders related to an executed facility rental agreement.</b></p>   | <p><i>investigate feasibility with an anticipated implementation date of May 2015.</i></p>   | <p>changes, with client verification, on the day of an event is cumbersome for both staff and client. In lieu of a day-of change order procedure, staff makes an equipment/labor pricing list available to each client during the pre-event walk-through and indicates that any items added on day-of will be reflected in the final invoice. TCA event staff report these additional items to sales staff after each event for accurate invoicing.</p> <p>Advance changes in license agreements are verified through issuance of a revised license agreement, confirmed by client signature.</p> |                                     |
| <p><b>10.15 TCA facility management should consult with the City Attorney's Office to determine what authority, if any, they have to offer discounts off of Council-approved published rental rates. A cost benefit analysis should be performed prior to offering discounted rates to determine the viability of the business transaction before any agreements with rental</b></p> | <p><i>TCA facility management will consult with Community Services leadership and the City Attorney's Office regarding this recommendation by June 2015.</i></p> | <p>All rental waivers or discounts are discussed with Community Services leadership prior to notifying the requesting client.</p>   | <p><b>Partially Implemented</b></p> |

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| clients are finalized.   |   |   |                              |
| <b>11.1</b> Overall operating costs for the TCA need a thorough review by TCA facility management. A focus on a business perspective of operating costs and not on reliance of the performing arts tax should be undertaken.   | <i>TCA facility management will work with Community Services leadership to review operating costs and develop a plan to explore potential revisions by June 2015.</i> | This is an ongoing discussion with TCA facility management and Community Services leadership. | <b>Partially Implemented</b> |
| <b>11.2</b> TCA facility management should continue to work with the City's Energy Management Coordinator to search for solutions to reduce the electricity costs. Electricity charges need to be evaluated and solutions to reduce costs should be pursued. Management should also pursue other solutions such as an energy evaluation and possible solar shade panels for the TCA parking lot. | <i>TCA facility management will continue to pursue cost effective opportunities to reduce electrical consumption throughout the facility.</i>                         | Ongoing   | <b>Partially Implemented</b> |
| <b>11.3</b> The purpose of the MAF   | <i>The current purpose of the MAF is</i>  | This recommendation will be addressed   | <b>Partially</b>             |

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| <p><b>needs to be revisited as the current language may not be clear and is subject to interpretation. Additionally, the fund balance should be monitored by Community Services management to determine if there are recommended changes to the contribution percentages from the various CIP funds. This should be performed in unison with the Municipal Arts Commission. Additionally, Mayor and Council's direction may need to be revisited and policies drafted as to the purpose of the fund with a clearly-defined list of allowable expenditures. Any revised percentage contributions should be approved by Mayor and Council, in addition to consideration of future uses of the excess fund balance.</b></p> | <p><i>outlined in the city's Resolution No.95.43. The results of the Tempe Arts Plan will provide further direction on this item.</i></p> | <p>with the implementation of the Tempe Arts &amp; Culture Plan.</p> | <p><b>Implemented</b></p> |

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| <p><b>11.4</b> The staff member responsible for the budget in each department/division should perform a monthly review of PeopleSoft reports to ensure that all transactions are recorded properly. The staff member responsible for the grant fund cost center took the initiative to meet with Accounting staff in Financial Services and devised a plan to properly track grant expenses. Municipal Art Fund grant expenses should be properly tracked and reconciled going forward.</p> | <p><i>This process has been implemented for the Municipal Arts Fund.</i></p>   |  | <p><b>Implemented</b></p>           |
| <p><b>12.1</b> Should the Foundation remain in its current state and role as a support group for TCA, a robust policy should be developed requiring an annual conflict of interest discussion by Board members and written</p>  | <p><i>Management agrees with this recommendation and should the relationship with the Foundation remain in its current format, this will be included in the revised MOU.</i></p> | <p>The status and structure of the TCA Foundation will be explored and addressed during implementation of the Tempe Arts &amp; Culture Plan.</p> | <p><b>Partially Implemented</b></p> |

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| <p><b>declarations by each member of the presence and/or absence of conflicts of interest. In addition, all meeting minutes should reflect whether or not these members with conflicts are voting on sensitive related issues pertaining to entities that they are involved with. The City should consider placing these requirements in any new MOU with the Foundation. Any changes to the MOU should be made only after considering whether the City should continue the relationship with the current Foundation or look at other models as mentioned earlier in this report (Organizational Structure). Any MOU should also clearly specify the role and purpose of the Foundation.</b></p> |                     |                                |        |

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| <p><b>12.2</b> Provided that the relationship with the Foundation remain in its current form, the MOU should be revised to require statements be audited within a certain timeframe after the end of the FY (perhaps six to nine months).</p>  | <p><i>Management agrees with this practice and should the relationship with the foundation remain in its current format, this recommendation will be included in the revised MOU.</i></p>            | <p>The status and structure of the TCA Foundation will be explored and addressed during implementation of the Tempe Arts &amp; Culture Plan.</p> | <p><b>Partially Implemented</b></p> |
| <p><b>12.3</b> The TCA Partner Program criteria, eligibility, and application process should be reviewed and updated as needed. Adherence to the updated eligibility criteria should be routinely monitored as well as a review of the costs/benefits of continuing partnership agreements with companies. Opportunities for mutually beneficial partnerships should be pursued.</p> | <p><i>TCA management agrees with this recommendation and will address the issues as a part of a revision of operating policies to be submitted for City Council approval prior to July 2015.</i></p> | <p>Discussion of the viability of the Partner designation has occurred with no significant outcome at this time.</p>                             | <p><b>Partially Implemented</b></p> |