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May 24, 2018

Mr. Christopher Ise
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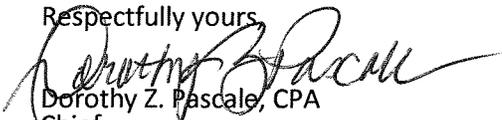
Dear Mr. Ise:

The Office of Internal Audit (OIA) has completed its limited scope performance audit of the Capital Center Commission (Commission). OIA reviewed the Commission's compliance with the Quasi-public Corporations Accountability and Transparency Act. The audit was conducted in conformance with the International Standards (IIA) for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in the Rhode Island General Laws (RIGL) §35.7.1-1. 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) days following the date of issuance of the final audit report, the head of the department, agency or public body or private entity audited shall respond in writing to each recommendation made in the final audit report." Accordingly, management submitted its response to the audit findings and recommendations on June 7, 2018, and such response is included in this report. Pursuant to this statute, the Office of Internal Audit 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 staff of the Capital Center Commission for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,


Dorothy Z. Pascale, CPA
Chief

c—Deming E. Sherman, Chairman, Capital Center Commission
Jonathan Womer, Director, Office of Management and Budget
Honorable William J. Conley, Chairperson, Senate Committee on Finance
Honorable Marvin Abney, Chairperson, House Finance Committee
Peter Keenan, State Controller, Office of Accounts and Control, Department of Administration

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 to conduct a performance audit of all quasi-public corporations once every five years. The Office of Internal Audit established an initial five-year schedule; this audit was performed in compliance with the statute and the established schedule.

The Office of Internal Audit conducted a limited scope audit of the Capital Center Commission to review its compliance with the Quasi-Public Corporations Accountability and Transparency Act.

Background Information

The Capital Center Commission was charged to adopt, implement, and administer a plan of development for the Capital Center Special Development District, as provided for by the Rhode Island Development District Act (RIGL 45-24.4), a 79-acre development in downtown Providence.

The public improvements, completed in mid-1994, include: new rights of way and utility lines, expansion of public open space, river walks along restaurant and retail uses, an amphitheater, and pedestrian bridges created, in part, by the relocation of two rivers.

The Capital Center Commission should:

- Adhere to the requirements of the Quasi-Public Corporations Accountability and Transparency Act.
- Vote on and disclose charitable contributions in compliance with Rhode Island General Law §42-155-4.
- Comply with Rhode Island General Law 42-46 Open Meetings.

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Introduction

The Capital Center Commission (Commission) was created by the City of Providence Code of Ordinances and amended several times pursuant to enabling legislation, Rhode Island General Law (RIGL) §45-24.4. Its mandate is to provide design review and oversight of the Capital Center District comprised of “railroad properties” created upon the relocation of the railroad tracks. The Commission operates with support staff from the Providence Planning Department and with finance and budget support from the Providence Foundation. The Commission consists of 15 members, with appointments from the Governor, the Mayor of Providence, and the Chairman of the Providence Foundation. The Commission has two principal committees, the Design Review Committee and the Hearing Committee, to assist in the design review of projects.

The Commission was charged to adopt, implement, and administer a plan of development for the Capital Center Special Development District, a 79-acre development in downtown Providence, the majority of which has been developed to date.¹ The Commission’s responsibilities include review of height, setbacks, parking, landscaping, lighting, signage, building materials, and the relationship of buildings to each other. According to the Chairman, there are no upcoming, major developments that require the Commission’s approval at this time.

Recommendations and Management’s Responses

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

RIGL §42-155 Quasi-Public Corporations Accountability and Transparency Act establishes requirements that quasi-public corporations must follow to increase transparency of operations. The Capital Center Commission is a public corporation and agency of the State established by enabling legislation in 1981. However, it is also included as an entity subject to the Quasi-Public Corporations Accountability and Transparency Act. Therefore, it must adhere to the following requirements:

- Adopting a code of ethics applicable to each officer
- Adopting a list of performance measures and publishing a self-evaluation of these measures every three years
- Establishing and maintaining written policies and procedures for internal accounting and administrative controls
- Providing certain information directly, or via direct link, on its website.

The Commission has not adopted a code of ethics or identified performance measures for its mission as required by the Act. Further, it does not have the following requisite policies and procedures:

- Travel

¹ There are currently seven undeveloped parcels, and two parcels are under construction but have been reviewed and approved by the Commission.

- Grants
- Charitable contributions
- Credit card use
- Employee reimbursement
- Marketing and lobbying expenses

Finally, the Commission has not published to its website all required information per the RIGL. The following is not posted:

- Quarterly financial statements
- Operating budgets
- Quarterly contracting reports
- Audits, as required.

The operations of the commission may not have necessitated all of the above stated policies in recent years, however, these policies should be documented to comply with state law and to be readily available if the need arises.

Recommendations:

- 1.) Adopt a code of ethics applicable to each office that, at a minimum, includes the standards established in Chapter 36-14 Code of Ethics.
- 2.) Identify performance measures and establish monitoring procedures.
- 3.) Develop the requisite policies and procedures in compliance with §42-155-4.
- 4.) Publicly post all required information in compliance with §42-155-6.

Management's Response: The Commission will accept the recommendations and will adopt appropriate policies and procedures. The Commission notes that it does not approve expenses for travel, credit cards, or marketing or lobbying expenses.

Responsible Party: Chairman

Anticipated Completion Date: October 1, 2018.

Vote on and Disclose all Charitable Contributions

RIGL §42-155-4(b)(3) requires that all contributions "be voted on by the full board during an open meeting and the vote shall be recorded in the minutes of the meeting..." A review of meeting minutes for the past two fiscal years revealed in one meeting the board did not vote on charitable contributions for \$200 each to the Cultural Landscape Foundation and the Rhode Island School of Design made in memory of prior Commission members. Further, there was no indication as to how the contributions related to the corporation's mission in the minutes as required by law. In this instance, the Commission failed to comply with the Act by making contributions without first voting to determine if it furthered the mission of the Commission.

Recommendations:

- 5.) Adhere to the requirements of the Quasi-Public Corporations Accountability and Transparency Act when making charitable contributions.

Management's Response: The four \$100 contributions in question were donations to charities in honor of deceased members of the Commission. The charities were designated by families of the deceased members as reflected in the respective obituaries. The contributions in question were voted upon by the Commission at two meetings (two contributions at each), and the votes were unanimous. The minutes for the first meeting apparently do not reflect the vote and will be amended. The minutes of the second meeting properly reflect the vote. The Commission generally does not make other grants or contributions.

Responsible Party: Chairman

Anticipated Completion Date: October 1, 2018.

Auditor's Note: Although the second meeting properly reflects the vote, these meeting minutes were filed and posted subsequent to the draft of this report.

Comply with Rhode Island General Law §42-46 Open Meetings

Rhode Island General Law §42-46-7 requires that "minutes shall be public records and unofficial minutes shall be available, to the public" within 35 days of the meeting. This law has been amended to currently allow for minutes to be made available no later than five days prior to the next scheduled meeting, whichever, is earlier. The Capital Center Commission held six meetings over the last two fiscal years, FY 17 & 18, and posted minutes for three meetings. None of these minutes were posted within 35 days of the meeting. The Design Review Committee² held seven meetings over the last two fiscal years, FY 17 & 18, and posted minutes for six meetings. Five of these minutes were posted outside of the allowable period.

The meeting minutes were typically voted on during the next meeting and posted upon approval by the Commission. However, the two boards held infrequent meetings, which delayed the approval of the minutes. By not timely posting the minutes publicly, there a lack of transparency with the public and failure to comply with the law.

Recommendations:

- 6.) Post meeting minutes within the 35-day period in accordance with state law.

² The Design Review Committee is a subcommittee of the Capital Center Commission.

Management's Response: The Commission complies generally with the Open Meetings Law and will continue to do so. To the extent that any deadlines have not been adhered to they will be forthwith. The problem here is that the Commission and the Design Review Committee do not necessarily meet every month, depending on what business needs to be addressed, and it is the policy of the Commission to approve minutes of the prior meeting(s) at the next meeting. To comply with the 35-day period will mean that draft minutes often will be posted which are not final. In the judgment of the Chairman, this is not good policy. However, if required to do so, the Commission will comply.

Responsible Party: Commission staff, Principal Planner/Administrative Officer.

Anticipated Completion Date: Completed.

Objective and Scope

The Office of Internal Audit (OIA) conducted a limited scope audit of the Capital Center Commission. OIA reviewed the Commission's compliance with the Quasi-Public Corporations Accountability and Transparency Act. The purpose of the engagement was to review operations and determine if they are being administered efficiently and effectively in accordance with requirements, statutes, and state procedures.

Methodology

As part of our audit work, the OIA gained an understanding of the Capital Center Commission and its operations. The objective of the audit was to determine if the Capital Center Commission complies with the requirements of the Quasi-Public Corporations Accountability and Transparency Act. To address our audit objective, we performed the following:

- Reviewed budget and financial information
- Requested information required under the Quasi-Public Act
- Searched website for adequate transparency disclosures
- Read board meeting minutes

The results of this limited scope audit are communicated within this report.