



A Report Issued by the
Office of the City Auditor
City of Corpus Christi
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City Auditor

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Planning & Economic Development

American Bank Center, now known as Hilliard Center

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City Council Audit Committee
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Executive Summary

Audit Objective

The audit objective was to evaluate the operational and management effectiveness of Global Spectrum, L.P., d/b/a OVG360 (Oak View Group or OVG) at the American Bank Center, now known as the Hilliard Center (the Facility), and to assess its compliance with the City of Corpus Christi's (the City) contribution guidelines and the contractual mandate to 'act in the best interest of the City'.

Scope Limitation

The absence of audited financial statements for 2022, 2023, 2024, and 2025, and the reported failure of the management company's previous accounting system, "Sage," prevented us from conducting cost-allowability tests and other essential financial analyses.

Conclusion

Overall, the management operational framework appears effective in attracting new events and increasing facility utilization.

At the same time, the audit identified gaps in governance, documentation, and financial transparency that limit the City's ability to fully demonstrate accountability, verify financial and performance results, and exercise the effective oversight—specifically the City's monitoring process—expected of a publicly owned facility.

Recommendations

- **Establish a Governance Framework:** Formalize an operating agreement between OVG and the City that clearly defines roles, approval thresholds, and oversight responsibilities.
- **Standardized Performance Tracking:** Implement Performance Measurement Protocols for KPIs, hold periodic validation meetings, and centralize the tracking of customer complaints and incidents.
- **Strengthen Asset & Policy Controls:** Develop formal written policies for asset management (including physical reconciliations), naming rights valuations, and risk-based safety/medical staffing.
- **Enhance Financial Transparency:** Implement independent reviews of OVG's affiliate and sister companies' contracts.
- **Ensure Contractual Compliance:** Immediately transfer operating funds to interest-bearing accounts and calculate retroactive interest owed to the City.

Table of Contents

Executive Summary	2
Table of Contents	3
Audit Objective, Scope & Methodology	4
Background & History	5
Revenues vs. Expenditures	8
Audit Results & Recommendations	10
Observations & Other Matters	28
Appendix A: Management Response	29

The Office of Corpus Christi City Auditor was created in response to the public’s affirmative vote in November 2010 to establish a new City Department independent of the City Manager, designed to enhance accountability and oversight. By ordinance, the City Auditor reports to the City Council, with guidance and oversight provided by the City Council’s Audit Committee consisting of four Council Members.

“The City auditor shall systematically and continuously examine the works of all city operations to identify opportunities to reduce costs, increase efficiency, quality, and effectiveness, or otherwise improve management of city programs and services.

– Chapter 12 ½ - 6 of the City Code

Audit Objective, Scope & Methodology

Objective

The objective of the audit was to assess the management of third-party entity OVG over the Hilliard Center and the effectiveness of its compliance with City of Corpus Christi contributions and contractual requirements.

Scope

Our audit covered the period from the start of the City-OVG management agreement on October 1, 2022, through September 30, 2025.

Methodology

We conducted this performance audit in accordance with the Generally Accepted Government Auditing Standards and in conformance with the Global Internal Audit Standards as promulgated by the Institute of Internal Auditors. 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 provided a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve the audit objective, we employed a multi-faceted approach, including:

- Interviewed staff members in the City's Planning and Economic Development Department, Finance Department, and OVG
- Conducted walkthroughs at the Hilliard Center, Selena Auditorium, Convention Center, and Ticket Box Office
- Reviewed and tested the contracts between the City of Corpus Christi, OVG, Ticketmaster, and third-party vendors
- Reviewed and tested bank account deposits, withdrawals, and balances
- Reviewed and tested the naming rights process
- Reviewed and tested expenses vs. capital improvements
- Evaluated internal controls related to financial management in the City's and OVG's Finance Departments
- Reviewed and discussed best practices with other Texas cities to understand how they monitor contracts for convention centers

Background & History

In January 2025, the City's external auditor raised concerns regarding the lack of supporting documentation and the absence of audited financial statements for the Hilliard Center (formerly the American Bank Center).

History

The Center originally opened in the late 1970s as the Bayfront Plaza Convention Center and Auditorium. In 1996, the auditorium was renamed The Selena Auditorium to honor Tejano musician Selena Quintanilla-Perez, a Corpus Christi resident. The American Bank Center arena broke ground in November 2002 and was completed in October 2004.

The American Bank Center was named under a long-term sponsorship agreement with American Bank, which began in 2004, replacing the previous name, Bayfront Plaza Convention Center, after the arena's construction was completed. As of September 1, 2025, the center was renamed the Hilliard Center under a new ten-year agreement with Hilliard Law.

The Hilliard Center is a city-owned entertainment complex that features a 2,500-seat auditorium, a 76,500-square-foot convention center, and a 10,000-seat multipurpose arena. It hosts a diverse range of events, including meetings, trade shows, exhibitions, live performances, and sporting events. The center is home to the Texas A&M – Corpus Christi Islanders men's and women's National Collegiate Athletic Association basketball teams, the Corpus Christi Tritons football team, and the Corpus Christi IceRays hockey team.

Management

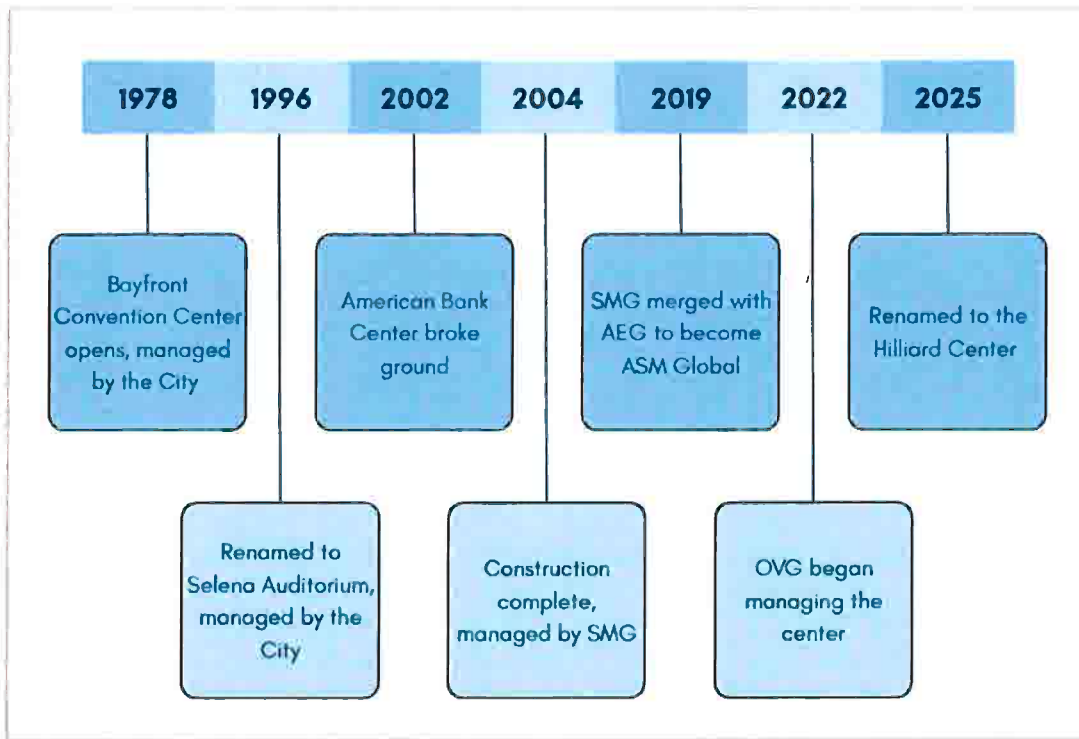
On September 20, 2022, the City Council approved two agreements with Global Spectrum, L.P., dba OVG360 and Ovation Food Services of Texas, LLC, for the management of the Hilliard Center and food and beverage services, effective October 1, 2022. The management agreement automatically renews for a five-year term (ending September 30, 2032) unless the City issues a written notice of non-renewal by March 1, 2027.

Spectacor Management Group (SMG) operated the American Bank Center from 2004, when the center opened, until 2019. In 2019, SMG merged with AEG Facilities to form ASM Global. ASM managed the center until OVG assumed management in 2022. The City operated the convention center and auditorium until the American Bank Center's construction was completed in 2004.

Management models for city-owned convention centers vary by municipality. While cities such as Fort Worth and Austin retain internal operational control, others, like Houston, have elected to outsource management to third-party firms.

Management Timeline

Exhibit 1



Source: Corpus Christi Public Libraries

Funding

The Center operates through:

- Event revenues
- Type A funds
- Hotel Occupancy Tax (HOT) funds
- Future Project Financing Zone (PFZ)

Project Financing Zone

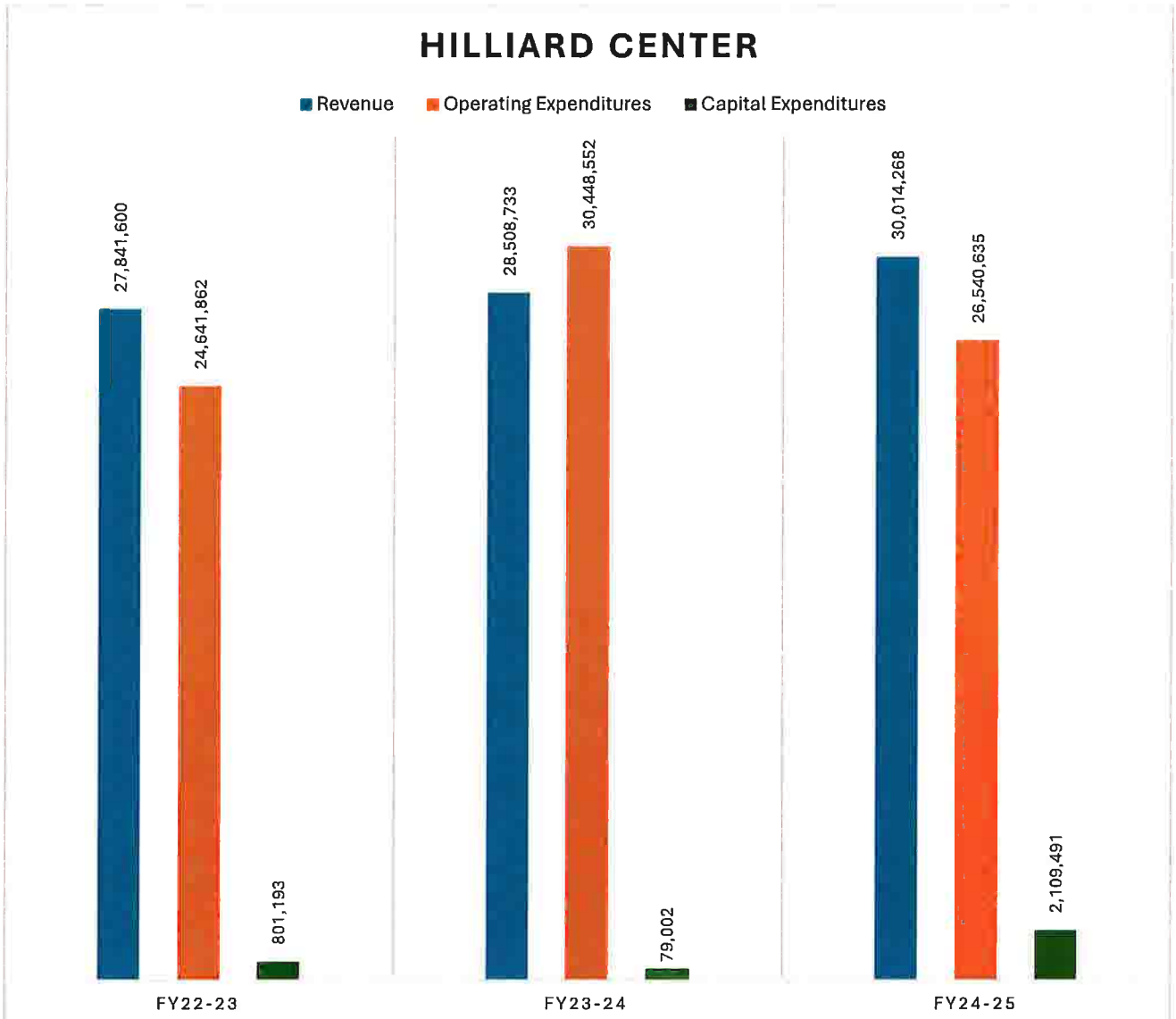
On February 28, 2023, the City Council discussed and approved a resolution requesting that the 88th Texas Legislature authorize the City to create a PFZ and fund a qualified project. Under Section 351.1015(a)(5) and Section 351.1015(a)(6), as amended, of the Texas Tax Code, the Hilliard Center Convention Center Complex, which includes the Convention Center, the Selena Auditorium, and the Arena, is a “qualified project” located in a municipality described by Section 151.1015(b)(2). Section 351.1015(a)(4), as amended, of the Texas Tax Code authorizes the designation of an area of the City within a three-mile radius of the Qualified Project as a project financing zone.

In December 2024, the City Council designated a PFZ around the Hilliard Center to collect incremental state funds (HOT, Sales Tax, and Mixed Beverages). In 2025, the Texas Legislature amended the tax code to allow an amended zone with a continuous geographic area for the Convention Center Complex. The amended zone will cover a larger area than the original three-mile radius, including additional hotels.

The amended zone will collect incremental hotel-associated tax revenue from the state over a 30-year term to fund investment in the Hilliard Center, which includes the Convention Center, Selena Auditorium, and the arena, as well as related infrastructure, including parking and water/sewer facilities.

Revenues vs. Expenditures

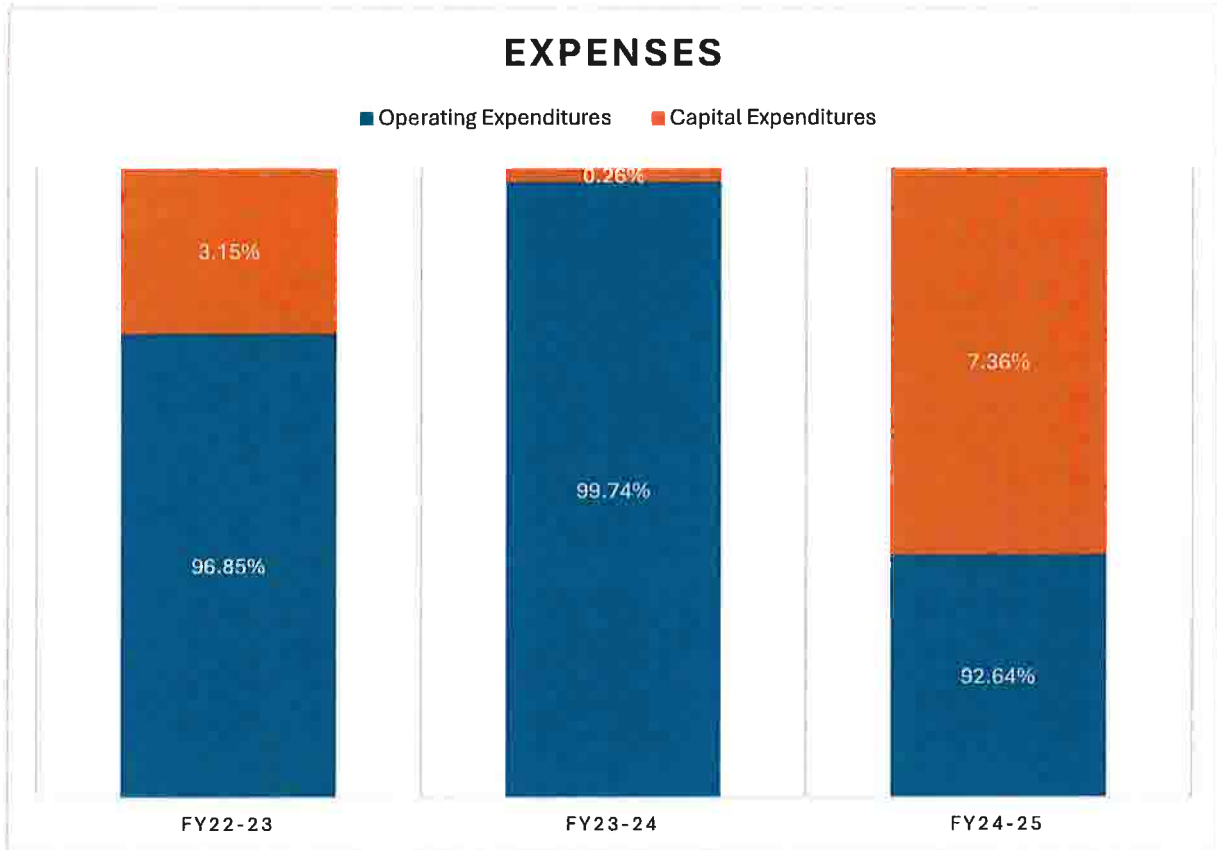
Exhibit 2



Source: Unaudited financial information provided by City Finance

The figures presented are based on actual aggregate funding and remain subject to minor adjustments pending the receipt of the Hilliard Center Complex's audited financial statements after 2021.

Exhibit 3



Source: Unaudited financial information provided by City Finance

Audit Results & Recommendations

Finding 1: Key Performance Indicator (KPI) Reporting and Performance Monitoring Process Is Not Adequately Implemented

Criteria

The Facility Management Agreement establishes that the Operator is responsible for providing performance information to the City and supporting the City's ability to oversee operations through complete, accurate records and reporting.

- Customer Satisfaction Scores – A target score must be mutually agreed upon in writing within 60 days of the start of the operating year. The success criteria for this metric requires OVG to achieve at least 80% of the agreed-upon score.
- Room Night Goal – Requires OVG to support events that increase local hotel stays. The specific target number of room nights must be agreed upon in writing within 60 days of the start of the operating year. To meet the success criteria, OVG must achieve at least 80% of the agreed target.
- Event Day Goals – OVG is tasked with increasing utilization days at both the Arena and the Convention Center. These targets must be agreed upon in writing within 60 days of the start of the operating year. Additionally, OVG must submit an updated booking policy for approval, along with these goals. Success is measured by achieving at least 80% of the agreed number.
- Repairs and Maintenance – The Management agreement requires OVG to maintain facility quality, excluding normal wear and tear. Compliance with this requirement is assessed through annual reviews, quarterly walkthroughs conducted by the Contract Administrator, and an annual maintenance report provided by OVG.
- Revenue – OVG must work to increase the total Facility Revenue. The target amount for this metric must be agreed upon in writing within 60 days of the start of the operating year. The success criteria for this goal are met if OVG achieves at least 80% of the agreed revenue amount.

Condition

The Operator's KPI process is not operating as a complete, repeatable performance management system, as evidenced by gaps in the available records. Specifically:

- The documentation provided during the audit did not include:
 - Complete underlying data necessary to validate the results reported to the city. Missing elements included clear definitions, original data sources, and population coverage.
 - Evidence of formalized communication and feedback loops between the Operator and City management. Specifically, records of performance concerns, assumptions, exceptions, and corrective actions were not consistently documented as part of the KPI reporting.

Cause

KPI reporting appears to be treated more as an operational update than as a formal performance accountability mechanism tied to contract oversight.

Risk/Effect

- Accountability risk: The City cannot reliably demonstrate whether the Operator is meeting contractual performance expectations or delivering value consistent with public stewardship.
- Decision-making risk: Incomplete KPI data and inconsistent communication reduce the City's ability to make timely, evidence-based decisions.

Recommendations

1. Hold at a minimum, annual performance review meetings with documented agendas and minutes covering:
 - KPI outcomes and data completeness.
 - Corrective action plans with owners and due dates.
 - City feedback and approval/acceptance of the KPI package.
2. Document each KPI's definition, calculation method, data source, population coverage, exclusions, and responsible owner.
3. Require a clear linkage between KPI totals and supporting operational/financial records (e.g., event system reports, ticketing summaries, bank/GL totals where relevant).

Finding 2: Customer Complaints and Incident Information Are Not Systematically Tracked or Reported

Criteria

- The agreement requires the Operator to maintain complete records, provide information suitable for City oversight, and make records available for audit and review (Books and Records; Audit and Reporting provisions).
- As Best Practice: Public facilities should track and document customer complaints, incidents, categorized by nature/type (e.g., there should be standard complaint codes to categorize and enable analysis); each complaint should be assessed for validity, with actions needed documented, and documentation of actions taken when applicable. Trends over time should be analyzed with corrective action strategies documented when needed.

Condition

Customer-related information—including complaint logs, survey results, incident reports, and social media escalations—is not automatically documented, tracked, analyzed, or formally reported to the City.

Cause

There is no formal process or contract requirement to aggregate customer feedback and incident data into a single comprehensive report or to provide it to the City on a recurring basis.

Risk/Effect

- The City lacks a clear, trend-based view of customer experience, safety concerns, and recurring issues.
- Ongoing problems may persist without timely corrective action, increasing reputational, operational, and potential liability risk.
- Key Performance Indicators (KPIs) risk being incomplete and inaccurate because complaint data is not currently integrated into performance reports.

Recommendations

1. The Operator should establish a centralized process and automated system to track and analyze customer complaints, incidents, refunds/chargebacks, and to report summarized trends and corrective actions to the City semiannually.
2. The City should solicit customer feedback via a promoted survey on Hilliard Center's website and incorporate these findings into KPI performance reviews.

Finding 3: Ineffective Naming Rights Selection and Management

Criteria

- The Facility Management Agreement requires the Operator maintain complete records and to act in the City's best interest and to manage revenue-generating opportunities in a manner that supports the financial sustainability of the facility.
- As a best practice, naming rights agreements for publicly owned venues should be supported by:
 - a structured market assessment,
 - competitive solicitation or benchmarking, and
 - periodic reassessment to ensure alignment with current market conditions.

Condition

No documentation was provided showing:

- A formal solicitation or competitive process for naming rights,
- An independent market valuation or benchmarking analysis, or
- Periodic reassessment of naming rights value over the contract term.
- The audit team inquired about the naming rights selection process; however, insufficient audit evidence was provided by OVG to substantiate that a structured selection methodology was used.

Cause

- The naming rights process relied on legacy arrangements and informal negotiations rather than a data-driven, competitive approach.
- Roles and responsibilities between the City and the Operator regarding naming rights strategy, approval, and performance monitoring were not clearly defined.
- There is no requirement in current procedures for periodic market reassessment of naming rights value once an agreement is in place.

Risk/Effect

- The City may experience a recurring and material loss of potential revenue, which could otherwise be used to offset operating costs, fund capital maintenance, or reduce reliance on public subsidies.
- The absence of a transparent, well-documented naming rights selection process limits the City's ability to demonstrate that the naming rights asset is being managed in a manner consistent with best value and public stewardship.

Recommendation

The City, in coordination with the Operator, should:

1. Conduct an independent market valuation or benchmarking study of naming rights for comparable facilities to establish a reasonable revenue target.
2. Develop a formal naming rights policy defining roles, approval authority, solicitation requirements, and performance expectations.

3. When feasible, pursue a competitive solicitation process for naming rights, or document a clear justification when a competitive process is not used.
4. Require periodic reassessment of naming rights value (e.g., every 3–5 years) to ensure agreements remain aligned with market conditions.

Finding 4: Lack of a Documented, Structured Vendor Selection Process

Criteria

The Management Agreement requires OVG to administer and enter into contracts in compliance with the Agreement and to maintain complete and accurate records. Establishing best practices in both the public and private sectors requires a transparent, structured bidding process that uses objective, professional criteria for vendor selection, such as documented evaluation criteria and scoring methodologies.

Condition

During the audit, we requested documentation demonstrating a structured vendor selection process for goods and services procured in connection with Facility operations. Specifically, we requested written policies, procedures, evaluation criteria, bid documentation, approval matrices, and other records that show how vendors are identified, evaluated, selected, and approved.

OVG did not provide documentation demonstrating the existence of a formal, structured vendor selection process. Although individual contracts and invoices were available, no documented framework was provided that outlined standardized procedures for competitive solicitation, evaluation methodology, conflict-of-interest safeguards, approval thresholds, or documentation retention requirements.

As a result, there was no evidence demonstrating that vendor selections were performed under a consistently applied, structured, and documented process aligned with the Agreement's requirements.

Cause

The Agreement does not explicitly require OVG to develop and submit a formal vendor procurement policy for City approval, and no documented governance mechanism was established to require periodic validation of procurement procedures. As a result, vendor selection practices appear to have developed operationally without a formally approved, standardized framework.

Risk/Effect

- Non-competitive procurements, where the City cannot demonstrate that pricing is fair and reasonable.
- Affiliate transaction risk, particularly where Article 12.3 requires evidence of competitive pricing.
- Conflict-of-interest risk, due to lack of documented evaluation and approval safeguards.
- Transparency and public accountability risk, given the Facility is municipally owned.

Recommendation

The City and OVG should strengthen procurement governance by developing and formally adopting a documented vendor selection and procurement framework for publicly owned facility operations. At a minimum, this framework should include:

- Defined procurement thresholds and competitive solicitation requirements
- Documented evaluation criteria and scoring methodology
- Conflict-of-interest disclosures and safeguards
- Approval authority matrix

Finding 5: Lack of Documented Procedures and Weak Controls over Assets and Inventory

Criteria

- The Facility Management Agreement between the City and the Operator requires the Operator to maintain complete and accurate books and records related to the operation of the facility and to make those records available for audit.
- As a facility Operator responsible for managing public assets, the Operator is expected to maintain documented processes and internal controls—supported by a computerized asset management system—that ensure reliable tracking of the assets and the related maintenance. (Including furniture, IT/Security equipment, or event-related assets).

Condition

- We did not receive formal, approved written procedures for asset and inventory management. Staff described activities as being performed “based on how it has always been done” rather than by following a documented process.
- The Operator does not maintain an automated, comprehensive inventory system capable of providing a clear record of all City-owned and Operator-controlled assets at the facility, nor does it effectively track asset movement or ensure adequate internal control over publicly owned assets, including their location, condition, and assigned custodian.
- During discussions with the Operator and the City’s Economic Development staff, they indicated that they are in the process of implementing an automated asset management system.

Cause

- Responsibility for asset and inventory management appears to be diffused across multiple staff without a clearly assigned owner for the overall process, and there is no explicit requirement from the Operator’s internal policies to maintain a formal asset-control framework.
- It appears that the Management has historically prioritized day-to-day operations and event delivery over formal documentation and control design.

Risk/Effect

- The City and the Operator cannot demonstrate that all assets purchased with public funds are properly safeguarded, recorded, and used for their intended purpose.
- The absence of standardized procedures and reconciled inventory records increases the risk of:
 - Misuse, loss, or theft of assets going undetected;
 - Duplicate or unnecessary purchases because items are not clearly tracked;
 - Disputes at contract termination over which assets belong to the City versus the Operator.

Recommendation

1. The City and the Operator should prioritize implementing an automated system that strengthens internal controls and ensures proper tracking of publicly owned assets and inventory.
2. The Operator, in coordination with City staff, should develop and implement formal written procedures for asset and inventory management, including:
 - A defined asset and inventory listing format (system of record);
 - Roles and responsibilities for adding, updating, and removing items;
 - Periodic physical inventory counts and reconciliations, with documented review and sign-off.

Finding 6: Inadequate Control, Transparency, and Reporting of Complimentary Ticketing

Criteria

According to Article 10, Section 10.1 of the management agreement, OVG is contractually obligated to maintain 'complete and accurate records of Facility operations.' As the Hilliard Center is a public asset, this mandate for fiscal responsibility extends to the transparent use of all facility inventory, including non-revenue admissions. To meet this standard and align with venue management best practices, all complimentary ticketing must be supported by detailed documentation that categorizes the specific purpose of the distribution—such as contractual obligations, media promotions, or client development—and explicitly states the intended business benefit to justify the transaction.

Condition

The third-party management company distributes complimentary (free) tickets for events held at the Hilliard Center. During the audit period, we observed that there is no standardized reporting mechanism to track the volume, total value, or recipients of these complimentary tickets. Furthermore, the management company does not provide the City with a justification for these distributions, nor do they track the business outcome associated with these complimentary admissions. Currently, these tickets are issued at management's sole discretion, without an audit trail linking them to specific business outcomes.

Cause

The management company lacks a formalized Complimentary Ticketing Policy that defines authorized users and the approval limits for them.

- The current monthly reporting packet submitted to the City focuses exclusively on cash revenue and expenses, omitting "forgone revenue" metrics such as comp tickets.
- Management has treated the distribution of tickets as an informal industry norm rather than a measurable business expense that requires justification.

Risk/Effect

- **Forgone Revenue:** The City cannot determine the financial impact of free tickets or whether the volume of complimentary tickets is suppressing paid ticket sales.
- **Lack of Accountability:** Without clear reporting, there is an increased risk of abuse, misappropriation, or the use of tickets for personal benefit rather than Hilliard Center business.
- **Inability to Assess Performance:** The City cannot evaluate if the "promotional" use of tickets is resulting in future bookings or stronger client relationships (the intended business outcome).

Recommendations

Require Documentation of Business Purpose. For all discretionary tickets (those not strictly required by the artist/promoter contract), the Operator should maintain a log that identifies the Business Outcome/Justification.

Finding 7: Inconsistent Provision of On-Site Medical Emergency Coverage at Events

Criteria

- As the facility manager, the Operator is responsible for operating the venue in a safe and secure manner for patrons, performers, and staff, and for complying with applicable health and safety standards.
- For large public assemblies, it is an industry expectation—and often a requirement under local public safety and fire/EMS guidance—that appropriate medical and first-aid coverage is available on-site to respond promptly to emergencies.
- The City's interest, as owner of the facility, is that events are run in a way that minimizes health and safety risks and preserves public trust.

Condition

- Based on event documentation provided and staff interviews, the provision of on-site medical emergency services (e.g., contracted EMS, paramedics, or trained first-aid personnel) has been judgmental across events.
- There is no formal, risk-based standard that defines when/how medical services are required, what level of coverage is expected (number and type of personnel), and how this is documented in the event plan.

Cause

- Decisions about medical coverage appear to be made case-by-case, relying on individual judgment or past practice rather than a formal risk assessment or policy.
- Coordination with public safety stakeholders (e.g., Fire/EMS) is not structured through a documented, repeatable planning process for each event type.

Risk/Effect

- In a critical medical emergency, there is an increased risk of delayed or inadequate response, which could lead to more severe outcomes for patrons or staff.
- Inconsistent practices also expose the City and the Operator to potential liability and reputational risk if an incident occurs and appropriate medical planning cannot be demonstrated.
- The lack of a defined standard makes it difficult for the City to evaluate whether the Operator is meeting reasonable safety expectations across all events.

Recommendation

1. The Operator, in consultation with City public safety officials, should develop and adopt a formal medical coverage policy for events at the facility. At a minimum, it should:
 - Define event-risk categories (e.g., attendance size, event type, demographic profile, alcohol service) and the corresponding minimum medical coverage required.
 - Require that medical plans be documented in each event operations plan and retained as part of the event file.

- Establish a process for pre-event coordination with Fire/EMS or contracted medical providers for higher-risk events.
2. Compliance with this policy should be periodically reviewed, and exceptions should be documented and approved by management.

Finding 8: Governance and Oversight Risks in the Management of City Contracts with Operator-Affiliated Companies

Criteria

- The Facility Management Agreement requires the Operator to act in the City's best interest, maintain complete and accurate records, and support City oversight through transparent and auditable processes.
- The Facility Management Agreement in Section 12.3 – Transactions with Affiliates indicated the following :
 - OVG may purchase or procure such services, or otherwise transact business with an Affiliate of OVG, provided that the price charged and services rendered by such Affiliate are competitive with those obtainable from any unrelated parties rendering comparable services.
 - OVG shall, at the request of Owner, provide reasonable evidence establishing the competitive nature of such prices and services, including, if appropriate, competitive bids from other persons seeking to render such services at the Facility.
- Public-sector best practice further expects that related-party arrangements be managed with clear role separation, transparency, and independent oversight to avoid conflicts of interest and preserve public trust.

Condition

- The City has contracted directly with an affiliate of the Operator for catering services, while the Operator has engaged OVG Mobility to manage parking services. The Operator maintains responsibility for the day-to-day operational and financial oversight of these agreements, including service coordination and the management of all related financial activities within facility operations.
- We did not receive any evidence demonstrating compliance with the requirement that OVG may procure services or conduct business with an OVG Affiliate only when the prices and services are competitive with those available from unrelated parties. Additionally, OVG did not provide documentation—such as competitive bids, other supporting materials—showing that the prices and services offered by its Affiliates were competitively established as required upon the Owner's request.

Cause

- The Operator likely lacks a specific internal control mechanism that triggers a mandatory market analysis (or "check-the-box" validation) specifically when an Affiliate is identified as a vendor.
- The contract does not require the Operator to regularly report reasonable evidence showing the competitive nature of such prices and services to the City, and the City did not exercise the contractual right to request the supporting evidence as outlined in the agreement.

Risk/Effect

- The City's ability to independently validate pricing, performance, and compliance under these contracts may be reduced.
- There is an increased risk of perceived or actual conflicts of interest, even if services are provided appropriately.
- Without additional safeguards, enforcement actions, credits, or corrective measures related to affiliated companies may not receive the same level of scrutiny as those applied to unrelated vendors.

Recommendations

Develop a system for oversight and compliance tracking in accordance with Contract Article 12 Section 12.3.

Finding 9: Formal Processes, Procedures, and Governance Structure Are Not Adequately Established

Criteria

The Facility Management Agreement requires the Operator (OVG) to manage the facility in the City's best interest and to maintain complete, accurate, and auditable records. Public-sector best practices further expect that key operational and financial activities be supported by documented processes, defined roles, and a clear governance structure to ensure accountability and consistency.

Condition

While OVG maintains general corporate guidelines and procedures, the facility lacks a comprehensive, formally approved set of documented processes for key operational, financial, and administrative activities that ensure consistency with established City regulations, including procurement policies and procedures. Furthermore, a clear governance structure—defining decision-making authority, escalation paths, and City involvement—is not consistently documented. Consequently, many activities rely on historical practice or individual judgment rather than a standardized framework.

Cause

Governance and process design were not prioritized at the start of the contract, and no formal requirement was established to document, approve, and periodically update operating procedures or governance roles. Responsibilities between the Operator and the City have evolved informally over time without being clearly memorialized.

Risk/Effect

- **Inconsistency risk:** Similar activities may be handled differently depending on staff or circumstances, increasing the likelihood of errors or omissions.
- **Oversight risk:** The City lacks clear visibility into how key decisions are made and controlled, limiting effective oversight.
- **Accountability risk:** Without defined governance and approval structures, it is difficult to determine who is responsible when issues arise.

Recommendation

The Operator and the City could strengthen governance and control by jointly developing a formal operating and governance framework that documents key processes, roles, approval thresholds, and communication protocols specific to the Hillard Center. This framework should be reviewed periodically, updated as operations evolve, and used as the standard reference for day-to-day operations and City oversight.

Finding 10: Financial Data Access and Verifiability Are Limited by the Current Accounting Information-Sharing Process

Criteria

The contract requires the Operator to maintain complete and accurate accounting records, prepared in accordance with Generally Accepted Accounting Principles (GAAP), and to make those records available for City inspection and audit. Public-sector best practice requires that financial information be verifiable, traceable, and independently reviewable, regardless of the accounting system used.

Condition

The Operator uses its own accounting system to manage facility finances, which was often not fully operational during the course of the audit; however, the City's access to financial information is primarily through summary reports and selected schedules, rather than consistent transaction-level data or standardized extracts. This limits the City's ability to independently verify balances, reconciliations, and calculations supporting management fees, incentive fees, and reported financial results

Cause

The OVG contract does not specify the method or format for providing accounting data, and no formal agreement has been established to define the data access standards (e.g., level of detail, format) necessary for City oversight and audit.

Risk/Effect

- Reduced auditability and increased reliance on delayed operator-prepared summaries.
- Limited ability for the City to independently validate financial results, reconciliations, and performance-based compensation.
- Risk of producing timely financial statements.

Recommendation

1. The City and the Operator should establish formal accounting data-access and time provision requirements that define the level of detail, format, and frequency of financial information to be provided (e.g., transaction-level extracts, reconciliations, standardized reports).
2. The operator should provide frequent transaction-level accounting data, including general ledger detail, sub-ledgers, bank deposit listings, reconciliations, and supporting schedules, in a format usable by City Finance and auditors.

Finding 11: Non-Compliance with Interest-Bearing Deposit Account Requirement

Criteria

Article 1 (Definitions) of the Management Agreement explicitly designates both the Events Account and the Operating Account as interest-bearing accounts intended for all facility operations.

Condition

Audit testing of the City's bank accounts for the facility revealed a direct conflict between the Management Agreement and the Finance Department's operational practices. Specifically:

- Contrary to Article 1 of the Management Agreement, both the Events Account and the Operating Account are currently established as non-interest-bearing accounts at the bank level.
- The Finance Department has elected to maintain these accounts as non-interest-bearing to maximize an "earnings allowance." While this allowance is used to offset monthly banking activity fees, it is used as an offset to expenses and any additional revenue will be recorded to GL 341000 Interest Earned Other than Investments.
- Management utilizes a centralized treasury strategy where available balances are pooled into the TexPool investment pool, The management stated that this generates more interest income than the interest-bearing accounts. However, this "pooling" approach does not satisfy the contractual mandate that the designated facility accounts themselves be interest-bearing.

Cause

The root cause is an apparent lack of coordination between the **Legal and Finance** departments during the contract implementation phase.

Risk/Effect

This creates potential legal exposure or disputes with the management company or third-party stakeholders who may have a vested interest in the facility's specific financial performance and interest income.

Recommendation

1. The Finance Department should conduct a comprehensive technical review of the current Management Agreement and establish a formalized "Finance-to-Legal" feedback for the future contractual negotiation.
2. Implement a mandatory review process where the Finance Department must sign off on the banking and financial clauses of all major Management Agreements *before* they are finalized to ensure operational feasibility and compliance.

Observations & Other Matters

1-The City Contract Administrator Needs Additional Experienced Staffing

Through our engagement with stakeholders, we have identified a key area to strengthen internal controls and enhance the associated compliance framework for operations at the Hilliard Center:

The City Auditor's Office noted a high turnover city department vacancy rate and/or a lack of dedicated personnel assigned to the day-to-day oversight of Hilliard Center operations. Currently, oversight functions are being performed on an ad hoc basis or consolidated under roles with conflicting primary responsibilities.

Without consistent daily monitoring of the operations and vendor activities, errors or irregularities may go undetected for extended periods. There is an increased risk of financial leakage, non-compliance with the Management Agreement, and a diminished ability for the City to perform real-time "due diligence" on OVG's operational decisions.

Recommendations

1. The City should conduct an Analysis to align oversight staffing with the complexity of the OVG management contract.
2. Designate a "Contract Compliance Officer" whose primary KPI is at least quarterly verification of Hilliard Center operations and procurement actions.

2- Comprehensive Review and Strategic Gap Analysis of the Facility Management Agreement

The City should initiate a comprehensive legal and operational review of the current Facility Management Agreement (FMA) to identify structural deficiencies, ambiguity in performance requirements, and gaps in financial oversight mechanisms. This review should serve as the foundation for drafting a "Lessons Learned" framework to guide future contract negotiations, amendments, or re-solicitation efforts.

Staff Acknowledgment:

Amr Hussein, CIA, CFE, CISA, Audit Manager

Joseph Lopez, MSFE, Auditor

Samantha Chapa, Auditor

Appendix A: Management Response

March 17, 2026
George Holland, City Auditor
Corpus Christi, TX

RE: Planning & Economic Development – Hilliard Center Audit Report

We have carefully reviewed the recommendations presented in the audit report referenced below, and our action plans to address the observations are described on the following pages.

We are committed to resolving the issues identified in the audit report by promptly implementing the action plans.

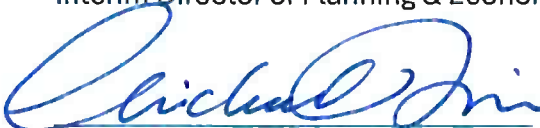
- Agree
 Disagree

Sincerely,




Jennifer Buxton
Interim Director of Planning & Economic Development

3/23/2026
Date



Michael Dice
Interim Assistant City Manager

3/23/26
Date



Peter Zanoni
City Manager

4/1/26
Date

FINDINGS					
01	Key Performance Indicator (KPI) Reporting and Performance Monitoring Process Is Not Adequately Implemented				
RECOMMENDATION(S)	<ol style="list-style-type: none"> Hold at a minimum, annual performance review meetings with documented agendas and minutes covering: <ul style="list-style-type: none"> KPI outcomes and data completeness. Corrective action plans with owners and due dates. City feedback and approval/acceptance of the KPI package. Document each KPI's definition, calculation method, data source, population coverage, exclusions, and responsible owner. Require a clear linkage between KPI totals and supporting operational/financial records (e.g., event system reports, ticketing summaries, bank/GL totals where relevant). 				
MANAGEMENT RESPONSE	<p>While KPIs are tracked annually, management recognizes that improvements can be made for year-over-year comparison and standardization. Staff will further develop KPI definitions and formalize a tracking mechanism</p> <p>Management is looking for alternatives for implementation.</p>				
CORRECTIVE ACTION DATE	April 2027	AGREE/ DISAGREE	Partially agree	RESPONSIBLE PARTY	Planning and Economic Development Department Director or Interim Director
02	Customer Complaints and Incident Information Are Not Systematically Tracked or Reported				
RECOMMENDATION(S)	<ul style="list-style-type: none"> The Operator should establish a centralized process and automated system to track and analyze customer complaints, incidents, refunds/chargebacks, and to report summarized trends and corrective actions to the City semiannually. The City should solicit customer feedback via a promoted survey on Hilliard Center's website and incorporate these findings into KPI performance reviews. 				
MANAGEMENT RESPONSE	<p>This is not required by the Management Agreement between the City of Corpus Christi and Global Spectrum, L.P. dba OVG360. Management will explore options to utilize 311 for customer complaints and possible independent system if funding becomes available and/or allowed</p>				
CORRECTIVE ACTION DATE	October 2026	AGREE/ DISAGREE	Partially Agree	RESPONSIBLE PARTY	Planning and Economic Development Department Director or Interim Director

03 Ineffective Naming Rights Selection and Management					
RECOMMENDATION(S)	<p>The City, in coordination with the Operator, should:</p> <ol style="list-style-type: none"> 1. Conduct an independent market valuation or benchmarking study of naming rights for comparable facilities to establish a reasonable revenue target. 2. Develop a formal naming rights policy defining roles, approval authority, solicitation requirements, and performance expectations. 3. When feasible, pursue a competitive solicitation process for naming rights, or document a clear justification when a competitive process is not used. 4. Require periodic reassessment of naming rights value (e.g., every 3–5 years) to ensure agreements remain aligned with market conditions. 				
MANAGEMENT RESPONSE	<p>This is not required by the Management Agreement between the City of Corpus Christi and Global Spectrum, L.P. dba OVG360.</p> <p>These recommendations will be considered for future contracts negotiations while recognizing that contracts cannot be revised/amended unilaterally.</p> <p>The Operator will be asked to increase transparency; though Operator may not implement all the above recommendations. Progress will be evaluated and measured based on lessons learned and the development of policies.</p>				
CORRECTIVE ACTION DATE	October 2027	AGREE/ DISAGREE	Partially Agree	RESPONSIBLE PARTY	Planning and Economic Development Department Director or Interim Director
04 Lack of a Documented, Structured Vendor Selection Process					
RECOMMENDATION(S)	<p>The City and OVG should strengthen procurement governance by developing and formally adopting a documented vendor selection and procurement framework for publicly owned facility operations. At a minimum, this framework should include:</p> <ul style="list-style-type: none"> • Defined procurement thresholds and competitive solicitation requirements • Documented evaluation criteria and scoring methodology • Conflict-of-interest disclosures and safeguards • Approval authority matrix 				
MANAGEMENT RESPONSE	<p>While management disagrees with the specific recommendations, management will review existing contractual requirements to strengthen the existing vendor selection process, including an approval authority matrix.</p>				
CORRECTIVE ACTION DATE	October 2027	AGREE/ DISAGREE	Partially agree	RESPONSIBLE PARTY	Planning and Economic Development Department Director or Interim Director

05 Lack of Documented Procedures and Weak Controls Over Assets and Inventory				
RECOMMENDATION(S)	<p>1. The City and the Operator should prioritize implementing an automated system that strengthens internal controls and ensures proper tracking of publicly owned assets and inventory.</p> <p>2. The Operator, in coordination with City staff, should develop and implement formal written procedures for asset and inventory management, including:</p> <ul style="list-style-type: none"> • A defined asset and inventory listing format (system of record); • Roles and responsibilities for adding, updating, and removing items; • Periodic physical inventory counts and reconciliations, with documented review and sign-off. 			
MANAGEMENT RESPONSE	Operator has begun implementing the Maximo program to help with asset and inventory management.			
CORRECTIVE ACTION DATE	October 2026	AGREE/ DISAGREE	Agree	RESPONSIBLE PARTY
Planning and Economic Development Department Director or Interim Director				
06 Inadequate Control, Transparency, and Reporting of Complimentary Ticketing				
RECOMMENDATION(S)	Require Documentation of Business Purpose. For all discretionary tickets (those not strictly required by the artist/promoter contract), the Operator should maintain a log that identifies the Business Outcome/Justification.			
MANAGEMENT RESPONSE	Complimentary tickets are handled on a case-by-case basis and negotiated with show promoters and artist management. This will vary. Management will review with Operator best industry practices for managing, documenting, and accounting for complimentary tickets			
CORRECTIVE ACTION DATE	April 2027	AGREE/ DISAGREE	Partially Agree	RESPONSIBLE PARTY
Planning and Economic Development Department Director or Interim Director				

07 Inconsistent Provision of On-Site Medical Emergency Coverage at Events					
RECOMMENDATION(S)	<p>1. The Operator, in consultation with City public safety officials, should develop and adopt a formal medical coverage policy for events at the facility. At a minimum, it should:</p> <ul style="list-style-type: none"> Define event-risk categories (e.g., attendance size, event type, demographic profile, alcohol service) and the corresponding minimum medical coverage required. Require that medical plans be documented in each event operations plan and retained as part of the event file. Establish a process for pre-event coordination with Fire/EMS or contracted medical providers for higher-risk events. <p>2. Compliance with this policy should be periodically reviewed, and exceptions should be documented and approved by management.</p>				
MANAGEMENT RESPONSE	Safety requirements for events are on a case-by-case basis and determined by the operator and client to meet safety needs. Maintain record to document compliance with special events permits and public safety requirements governing events.				
CORRECTIVE ACTION DATE	April 2027	AGREE/ DISAGREE	Partially Agree	RESPONSIBLE PARTY	Planning and Economic Development Department Director or Interim Director
08 Governance and Oversight Risks in the Management of City Contracts with Operator-Affiliated Companies					
RECOMMENDATION(S)	Develop a system for oversight and compliance tracking in accordance with Contract Article 12 Section 12.3.				
MANAGEMENT RESPONSE	Management will develop a system for oversight and compliance tracking in accordance with Contract Article 12 Section 12.3				
CORRECTIVE ACTION DATE	April 2027	AGREE/ DISAGREE	Agree	RESPONSIBLE PARTY	Planning and Economic Development Department Director or Interim Director

09	Formal Processes, Procedures, and Governance Structure Are Not Adequately Established				
RECOMMENDATION(S)	The Operator and the City could strengthen governance and control by jointly developing a formal operating and governance framework that documents key processes, roles, approval thresholds, and communication protocols specific to the Hillard Center. This framework should be reviewed periodically, updated as operations evolve, and used as the standard reference for day-to-day operations and City oversight.				
MANAGEMENT RESPONSE	Management will develop a Standard Operating Procedure for oversight of the Management Agreement between the City of Corpus Christi and Global Spectrum, L.P. dba OVG360				
CORRECTIVE ACTION DATE	April 2027	AGREE/ DISAGREE	Agree	RESPONSIBLE PARTY	Planning and Economic Development Department Director or Interim Director

10	Financial Data Access and Verifiability Are Limited by the Current Accounting Information-Sharing Process				
RECOMMENDATION(S)	<p>3. The City and the Operator should establish formal accounting data-access and time provision requirements that define the level of detail, format, and frequency of financial information to be provided (e.g., transaction-level extracts, reconciliations, standardized reports).</p> <p>4. The operator should provide frequent transaction-level accounting data, including general ledger detail, sub-ledgers, bank deposit listings, reconciliations, and supporting schedules, in a format usable by City Finance and auditors.</p>				
MANAGEMENT RESPONSE	<p>Management agrees with the recommendation. The City will request that OVG provide City Finance staff with training and read-only access to their accounting software, reservation software, ticketing software, and any other systems that impact financial accounting. Additionally, the City will request OVG to submit the following documents on a monthly basis:</p> <ul style="list-style-type: none"> • General Ledger Detail • Payroll Detail Reports • Accounts Payable Reports • Aging Reports • Event Settlements with executed agreements • Ticketmaster Reports • Bank Reconciliations • Inventory Report • Supporting documentation (e.g., invoices/quotes) for all capital purchase requests • Construction in Progress Status Update • Pro-forma Budget during the budget process • Budget Re-estimates • Any other documents or reports needed to reconcile and support financial statement amounts <p>All documents should be made available electronically on a shared site accessible to both the City and OVG. All electronic documents and reports should be provided in both PDF and Excel formats.</p>				
CORRECTIVE ACTION DATE	September 2026	AGREE/ DISAGREE	Agree	RESPONSIBLE PARTY	Finance and Procurement Department Director

11 Non-Compliance with Interest-Bearing Account Requirement				
RECOMMENDATION(S)	<ol style="list-style-type: none"> 1. The Finance Department should conduct a comprehensive technical review of the current Management Agreement and establish a formalized "Finance-to-Legal" feedback for the future contractual negotiation. 2. Implement a mandatory review process where the Finance Department must sign off on the banking and financial clauses of all major Management Agreements <i>before</i> they are finalized to ensure operational feasibility and compliance. 			
MANAGEMENT RESPONSE	<p>Management partially agrees with the auditors' recommendation. Management agrees that Finance should sign off on banking clauses for future management agreements. It should be noted that the Finance Department does work with Legal to review contracts, especially those that have a financial impact and will be presented to City Council. These contracts are reviewed as part of the agenda routing process.</p> <p>In this specific case, the Finance Department did not follow the contract requirement for a non-interest-bearing account because the cost of maintaining an interest-bearing account, coupled with the low interest rates offered, was not favorable to the Hillard Center. Instead, Finance chose to sweep the funds into the City's pooled investment portfolio, which generated approximately \$563,000 in interest income from June 2022 through September 2025.</p> <p>The Finance Department should have recommended an amendment to the contract; however, since the interest earned exceeded what would have been generated in an interest-bearing account with the bank, Finance does not view this deviation as creating a liability risk.</p> <p>Finance recommends amending the management agreement to specify the use of a non-interest-bearing account and to ensure that funds are invested in accordance with the City's investment policy and strategy so the Hillard Center can continue to maximize its interest income.</p>			
CORRECTIVE ACTION DATE	October 2026	AGREE/ DISAGREE	Partially Agree	RESPONSIBLE PARTY
				Finance and Procurement Department Director

OBSERVATIONS					
01	The City Contract Administrator Needs Additional Experienced Staffing				
RECOMMENDATION(S)	<ol style="list-style-type: none"> 1. The City should conduct an analysis to align oversight staffing with the complexity of the OVG management contract. 2. Designate a "Contract Compliance Officer" whose primary KPI is the at least quarterly verification of Hilliard Center operations and procurement actions. 				
MANAGEMENT RESPONSE	The request to hire for the frozen special projects manager position has been made FY2026 and FY2027 funding has been identified. If approved, hired employee will conduct this analysis and set up standard operating procedures (SOPs) for oversight of the Hilliard Center operations.				
CORRECTIVE ACTION DATE	October 2026	AGREE/ DISAGREE	Agree	RESPONSIBLE PARTY	Planning and Economic Development Department Director or Interim Director
02	Comprehensive Review and Strategic Gap Analysis of the Facility Management Agreement				
RECOMMENDATION(S)	The City should initiate a comprehensive legal and operational review of the current Facility Management Agreement (FMA) to identify structural deficiencies, ambiguity in performance requirements, and gaps in financial oversight mechanisms. This review should serve as the foundation for drafting a "Lessons Learned" framework to guide future contract negotiations, amendments, or re-solicitation efforts.				
MANAGEMENT RESPONSE	Management agrees in so far as a review for lessoned learned can positively impact future contract negotiations while recognizing that contracts can't be revised unilaterally. If approval is granted for special projects manager position, "Lessons Learned" will be collected and documented from Economic Development, Finance Department, and Legal Department for contract negotiation priorities.				
CORRECTIVE ACTION DATE	April 2027	AGREE/ DISAGREE	Agree	RESPONSIBLE PARTY	Planning and Economic Development Department Director or Interim Director