

Memorandum



DATE: May 27, 2025

TO: Honorable Members of the Government Performance & Financial Management Committee:
Chad West (Chair), Paula Blackmon (Vice Chair), Cara Mendelsohn, Jesse Moreno, Jaime Resendez

SUBJECT: Internal Audit Report Released Between April 12, 2025, and May 16, 2025

Attached for your review is the Office of the City Auditor audit report released between April 12, 2025, and May 16, 2025. The full report, included in [Attachment 1. Exhibit 1](#), summarizes the number of report recommendations accepted by city management.

Exhibit 1:

Summary of Audit Report Recommendations Accepted

Audit Report Title	Report Recommendations		
	Accepted	Total	Percentage
Audit of Stemmons Center	4	6	67%

If you have any questions, please contact me at (214) 670-3222 or mark.swann@dallas.gov.

Sincerely,

Mark S. Swann
City Auditor

Attachment

C: Kimberly Bizer Tolbert, City Manager
Tammy Palomino, City Attorney
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Bart Bevers, Inspector General (I)
Dominique Artis, Chief of Public Safety
Dev Rastogi, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager
Robin Bentley, Assistant City Manager
Jack Ireland, Chief Financial Officer
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Sheri Kowalski, City Controller
Directors and Assistant Directors
Alpha Jalloh, Assistant Director – Financial Compliance, Auditing & Monitoring
Jeffrey Brill, Manager – Financial Compliance, Auditing & Monitoring



Report Released

1. [Audit of Stemmons Center \(April 23, 2025\)](#)



Audit of Stemmons Center

April 23, 2025

Mark S. Swann, City Auditor

Mayor

Eric L. Johnson

Mayor Pro Tem

Tennell Atkins

Deputy Mayor Pro Tem

Adam Bazaldua

Council Members

Carolyn King Arnold

Paula Blackmon

Zarin D. Gracey

Cara Mendelsohn

Jesse Moreno

Omar Narvaez

Jaime Resendez

Paul E. Ridley

Jaynie Schultz

Kathy Stewart

Chad West

Gay Donnell Willis



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Executive Summary

Objectives and Scope

The objectives of this audit:

- Was the Stemmons project administered effectively?
- Were employee concerns addressed?
- Were expected commercial building procurement activities completed?
- Were renovation activities executed efficiently?
- Were costs associated with the building captured and identified?

The scope of this audit was from June 2022 to April 2024.

Recommendations

Management should focus on:

- Developing an approach to manage changes.
- Strengthening internal channels to address employee concerns.
- Complying with existing procedures for permitting and job order contracts.
- Applying existing tools to track budget to actual for significant projects.

Background

The City of Dallas purchased Stemmons Center, a commercial building, to provide a “one-stop shop” experience for builders, developers, and residents. The Stemmons Center will include Development Services and other City and utility partners. The City Council approved the purchase on August 10, 2022, and employees began working in Stemmons Center in December 2023 as renovations were still underway.

Shortly after employees arrived, complaints rose about life and safety, improper construction practices, and noncompliance with City permitting procedures. In April 2024, personnel moved from Stemmons Center back to their prior offices at the Oak Cliff Municipal Center.

These events impacted public and employee confidence. The audit was requested by the City Council Ad Hoc Committee on General Investigating and Ethics to understand the conditions that led to the current situation and what activities, if performed, would mitigate the risk.

Observed Conditions

Expected results for the Stemmons Center were lacking in:

- Planning
- Project ownership
- Resolving employee complaints
- Purchasing and permitting activities
- Tracking total cost of ownership

Objectives and Conclusions

1. Was the Stemmons Center project administered effectively?

Generally, No. The Stemmons Center project had a gap in planning and defining ownership of the project. Specifically, there was no clear roadmap, metrics set to measure its success, timeline, and designated individuals held responsible for overseeing its execution. This resulted in missed opportunities for a better outcome and to mitigate process inefficiencies. [See Observation A.](#)

2. Were employee concerns addressed?

Generally, No. Employees reported their concerns through available reporting channels, and complaints were either not escalated or remained unresolved. [See Observation B.](#)

3. Were expected commercial building procurement activities completed?

Generally, Yes. The City completed the necessary activities to secure the purchase of Stemmons Center, but the extent of due diligence needed for a significant commercial building acquisition was not completed. [See Observation C.](#)

4. Were renovation activities executed efficiently?

Generally, No. Renovation activities were not completed well. The City did not follow the compliance requirements for the Temporary Certificate of Occupancy and Certificate of Occupancy. [See Observations D and E.](#)

5. Were costs associated with the building captured and identified?

Generally, No. While costs were identified for reporting, an internal process to evaluate the total cost of ownership was not in place. Expenses are tracked, but the completeness and accuracy of the expenses are not verifiable. [See Observation F.](#)

Audit Results

Both *City Council Resolution 88-3428* and Administrative Directive 4-09, *Internal Control* prescribe policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A: Planning and Ownership

The Stemmons Center project had a gap in planning and defining ownership of the project. Specifically, there was no clear roadmap, clear metrics set to measure its success, timeline, and designated individuals held responsible for overseeing its execution. This resulted in missed opportunities for a better outcome.

"ONE-STOP SHOP"

The City Council approved the purchase of Stemmons Center on August 10, 2022.

"The property will be used for the purpose of providing a 'one-stop shop' experience for builders, developers, and residents. The building will include other City-related functions currently housed at the Oak Cliff Municipal Center as well as include the Office of Economic Development, Department of Housing and Neighborhood Revitalization, Dallas Water Utilities, Small Business Center, and utility partners to complement the business development process."

Source: City Council Resolution 22-1735

Planning

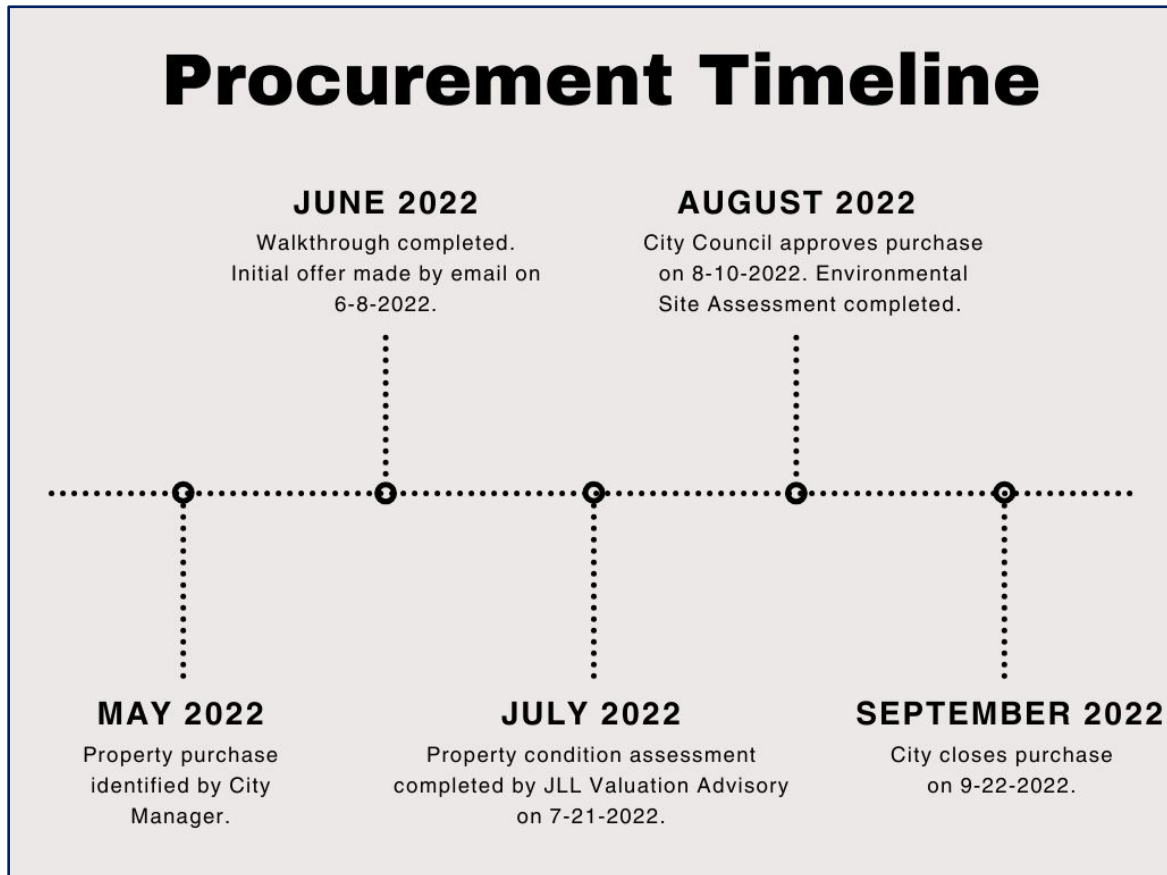
While the purchase itself was well-publicized, a roadmap to realize the vision was not developed. For instance, a defined vision to explain why Stemmons Center was a better solution than alternative options, such as leasing versus buying or buying versus new construction, was not available.

Likewise, there was no roadmap for the execution of a "one-stop shop", and feedback from employees was not incorporated during the purchase process. For example, personnel from Public Works raised concerns before the purchase, noting that the Stemmons Center parking was insufficient and that the parking garage lacked adequate security for City vehicles. Development Services staff also informed management that consolidating district offices at the Stemmons Center would create inefficiencies, as employees would need to travel between locations, leading to delays in inspections and certificate issuance. This lack of coordination led to delays in construction, impacted floor design changes, and caused setbacks to the timeline.

Furthermore, a review of purchasing activities validated that the City did not have the technical expertise to evaluate the purchase of commercial buildings. The City is mostly involved with right-of-way easement procurements, and the nuances of a commercial building purchase were

not well known. This was complicated further by the fast turnaround on the procurement timeline. The City completed the process in five months from identification to closing. Based on research, ¹start to finish for the purchase of commercial real estate, a property in good condition will usually be between six and twelve months with additional time to close the deal. [See Exhibit 1.](#)

Exhibit 1: Procurement Timeline



Source: Auditor Prepared

Ownership

The former City Manager confirmed that the organizational chart dictated accountability and execution of duties. [See Appendix B.](#) While the organizational chart is ideal for normal operations, transformative changes such as the Stemmons Center required further guidance on ownership. Corroboration with former Assistant City Managers, Directors, and Managers indicated that the organizational chart delegation was insufficient and led to confusion about ownership and execution.

¹ Feldman Equities, *How long is the commercial real estate bid process?*

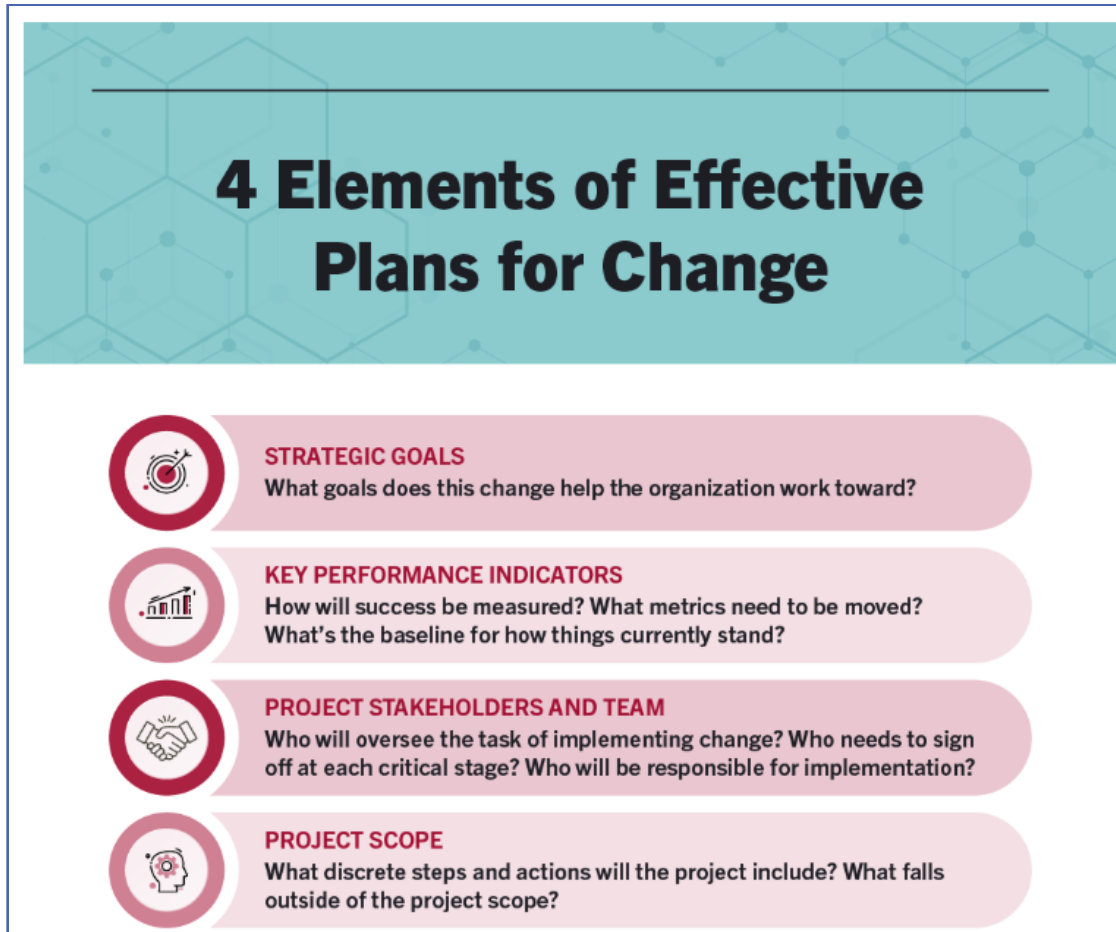
One Assistant City Manager stated they did not take responsibility for the Stemmons Center purchase and renovation processes. Yet the departments responsible for purchase (Public Works – Real Estate Division) and renovation (Office of Bond and Construction Management) are aligned directly with their role.

Likewise, another former Assistant City Manager who is organizationally aligned with Development Services confirmed that they were nominally involved in the renovation activities. It was not till late 2023, one year after the acquisition, that active involvement was cited.

Ownership was further complicated because of funding sources. For the Stemmons Project, funding was provided by the Office of Bond and Construction Management, Development Services, and the American Rescue Plan Act of 2021. According to Office of Bond and Construction Management procedures, any project that uses bond funding is owned by the Office of Bond and Construction. This conflicted with Development Services' understanding; since the building will be occupied by Development Services personnel, the nature of the renovation should be dictated by Development Services. This contributed to design plan issues and the alteration of timelines.

Harvard Business Review states that 50 percent of organizational changes are unsuccessful. Harvard Business Review identifies four elements of an effective strategic plan for change management. [See Exhibit 2.](#)

Exhibit 2: 4 Elements of Effective Plans for Change



Source: <https://online.hbs.edu/blog/post/change-management-process>

Criteria

- ❖ Standards for Internal Control in the Federal Government, *Principle 3 - Establish Structure, Responsibility, and Authority*, and *Principle 5 - Enforce Accountability*
- ❖ Kelsey Miller, *5 Critical Steps in the Change Management Process*, March 19, 2020, <online.hbs.edu/blog/post/change-management-process> August 2024.

Assessed Risk Rating:

High

Recommendation

A.1. We recommend the **City Manager** develop an approach to manage major workforce relocation changes. Some best practices to consider are:

- Development of an acquisition plan that addresses technical, business, and cost management, such as life-cycle cost, design-to-cost, trade-offs, and internal resources to support acquisition.
- Use of organizational change management steps to consider employee involvement and support, leadership accountability, and communication channels.
- To set specific and measurable expectations for management's accountability and ownership.
- Include appropriate city departments in the purchase evaluation (e.g. Dallas Marshal's Office for building security, Information & Technology Services for technology).

Observation B: Employees' Reporting

City channels for reporting the mishandling of City operations, fraud, waste, abuse, and tone at the top issues for the Stemmons Center was not effective. As a result of ineffective channels, employees went to external sources such as the media and labor unions for support.

There are several channels an employee can use to report operational failures and potential fraud, waste, abuse, and internal tone at the top concerns. A review of these processes determined that the resolution is inconsistent or incomplete.

CITY CODE OF ETHICS

Retaliation Prohibited

A person commits an offense if he or she retaliates against another filing a complaint, or for testifying, assisting, or participating in any manner in a proceeding or hearing under this chapter.

Duty to Report Violations

A person subject to this chapter shall immediately report any conduct that the person knows to be a violation of this chapter to the inspector general. Failure to report a violation of this chapter is a violation of this chapter. Any person who knowingly fails to report a violation of this chapter shall be subject to sanctions described in this chapter. For purposes of this section, a report made to the inspector general's fraud, waste, or abuse hotline is considered a report under this section.

Source: Code of Ethics, *Section 12A-6 Retaliation Prohibited* and *Section 12A-8 Duty to Report Violations*

Inspector General Division

The Inspector General Division, as part of the intake process, will make a judgment call on whether the complaint warrants additional investigation. For Stemmons Center, the Inspector General Division referred three complaints to Dallas Fire-Rescue between December 15, 2023, and February 24, 2024. Two additional complaints were received between March 27, 2024, and May 8, 2024, and were referred to the Office of the City Auditor for audit evaluation. One additional complaint was received on May 8, 2024, and referred to Human Resources. According to the Inspector General Division, these issues were closed because the Ad Hoc Committee on General Investigating and Ethics requested an audit related to Stemmons Center on May 2, 2024.

Dallas Fire-Rescue

Dallas Fire-Rescue received referrals from the Inspector General Division and an independent complaint from the State Fire Marshal. Dallas Fire-Rescue completed an initial inspection on February 7, 2024, and identified 39 fire code violations. These violations included issues with exit signs, improper striping in the parking lot, the sprinkler system needing repairs, exit doors not opening properly, and poor maintenance of elevators. On April 3, 2024, during a re-inspection, Dallas Fire-Rescue discovered that the fire alarm could not be heard on floors other than the first two floors and only one of the initial violations were fixed. Subsequently, in accordance with the Dallas Fire Code, a fire watch was implemented. During re-inspections of the fire watch, there were deficiencies noticed with how the logs were maintained. As of June 2024, the fire watch and fire code violations remained.

Human Resources

A senior human resources partner's focus is to foster and align business objectives with management and employees, serve as a consultant to management on human resource issues, and advocate for employees. According to Development Services personnel, the assigned human resource partner was present at staff meetings and was informed of the problems at the building. However, the human resources partner did not follow up on these complaints and asserted that the complaints were not within their jurisdiction. Further verification with Human Resources Employee Relations confirmed that while the purpose of the partner is to support employees, this did not happen in this situation and contributed to employee dissatisfaction.

Department of Development Services

Several complaints were sent directly to the former Director of Development Services and disregarded. Interviews with the Assistant Director of Development Services confirmed that no such issues were shared by the former Director of Development Services, leaving these issues unresolved.

311 Call Line

A review of the list of complaints to 311 about the Stemmons Center between 2022 and 2024 identified ten complaints, which would have been routed to appropriate departments for resolution. However, there was no clear indication of final resolution. The one complaint that was resolved was related to permit issuance. This complaint was closed with no supporting evidence.

Dallas Marshal's Office and Office of Risk Management

The Dallas Marshal's Office and the Office of Risk Management were also selected for verification. The Dallas Marshal's Office does track noted security issues but does not formally close them. The Office of Risk Management confirmed that no personnel claims for liability or injury were filed with the City.

Employees

Interviews with a random sample of 12 employees (13 percent) corroborated that employees notified management that the building felt unsafe because:

- Fire alarm system was not working
- Stairways felt unsteady when climbing
- Elevators were inoperable at times
- Magnetic locks on doors in stairways made it difficult to exit the building in an emergency
- Noise level was too high
- Bathrooms were nonfunctional
- Pooling of sewage water in the bathroom posed health concerns
- Electrical wires were not secured
- Parked vehicles were broken into

All these issues were corroborated with supporting emails and pictures. While several channels are available to employees for complaints, these channels were not effective in providing employees with a resolution.

Criteria

- ❖ Code of Ethics, Article I, *Section 12A-6 Retaliation Prohibited* and *Section 12A-8 Duty to Report Violations*
- ❖ Standards for Internal Control in the Federal Government, *Principle 4 Demonstrate Commitment to Competence*, *Principle 14 Communicate Internally*, and *Principle 15 Communicate Externally*

Assessed Risk Rating:

High

Recommendation

B.1. We recommend the **City Manager** work with **Office of Inspector General** to review existing channels for effective resolution of employee complaints. Some considerations to strengthen the process are:

- Training Human Resources Partners on their roles and responsibilities and reinforcing these responsibilities through obtaining feedback from their supported departments.

- Establishing guidelines on enhancing communication between the Office of Inspector General and other departments.
- Enhancing the 311 processes so that incoming calls from employees are routed for timely resolution.
- Establishing an Ombudsperson to be an advocate for employee and resident complaints.

Observation C: Property Condition Assessment

The Property Condition Assessment was not reviewed for sufficiency. As a result, the City purchased a building that might not meet the intended operational and functional needs.

PROPERTY CONDITION ASSESSMENT

A **Property Condition Assessment** is the process by which a qualified professional conducts a walk-through survey of a property, reviews available documents, and interviews knowledgeable persons to identify and communicate physical deficiencies of the property. The outcome of a Property Condition Assessment is a **Property Condition Report**. A Property Condition Assessment is:

- Site-specific in that it relates to the physical condition of real property improvements. It does not address additional issues in real estate such as economic obsolescence.
- Conducted by a field observer, reviewed by a Property Condition Report reviewer.
- Guided by the principles that uncertainty is not eliminated, it is not technically exhaustive, representative observations are subjective, and the level of due diligence is variable.

Source: ASTM International E-2018-15 *Standard Guide for Property Condition Assessment*

A Property Condition Assessment should consider site features (e.g., paving, landscaping, drainage); structural frame and building envelope; roofing systems; mechanical, electrical, and plumbing systems (MEP).

Source: *International Standards of Practice for Inspecting Commercial Properties, 2022 Edition.*

A crosswalk of the Property Condition Assessment provided by JLL Valuation Advisory (assessor) to best practices ASTM International E-18-15 *Standard Guide for Property Condition Assessment* determined:

- The Property Condition Assessment was based on a one-time walkthrough and one interview with property management from Ricchi Group (seller). Also, JLL Valuation Advisory (assessor) completed a walkthrough of only three of the ten floors and the

lobby (first floor). A typical Property Condition Assessment involves a walkthrough per inspection report and revisits as necessary for certain areas of the building after performing the research portion of the inspection, according to the *International Standards of Practice for Inspecting Commercial Properties, 2022 Edition*.

- JLL Valuation Advisory (assessor) did not receive a material response to the Pre-Survey Questionnaire (PSQ) and certain requested documents. The questionnaire addresses major renovations, parking, Americans with Disability Act compliance, site improvements, building materials, roofing conditions, mechanical, plumbing, fire suppression, and capital improvements.
- The Property Condition Assessment was not supported by documents obtained from the seller or from local government offices. According to the International Standards of Practice for Inspecting Commercial Properties, 2022 Edition, the inspector should make an inquiry and review documents such as the Certificate of Occupancy. According to JLL Valuation Advisory (assessor), the only document received and reviewed was the flyer provided to prospective buyers. See Exhibit 3.

Exhibit 3: JLL Valuation Advisory Assessment of Documents

Documents Requested and Reviewed

Documentation	Received and Reviewed
Pre-Survey Questionnaire	
Prior Reports	
Certificate of Occupancy	
Current Rent Roll	
Maintenance records and warranty information	
Receipts for major repairs within the past 12 months	
Operating and Maintenance Plans in place.	
Wood Destroying Organism reports, and if applicable, repairs	
Elevator, boiler and safety inspection records and certificates	
Information or copies of Building, Zoning, and Fire Code Violations, and if applicable, clearance of violations.	
Planned Capital Improvement Budgets, and Completed Capital Improvement Budgets	
Information regarding legislated or voluntary energy benchmarking, and copies of reporting documents.	
Property information typically provided to prospective tenants.	✓

JLL VA did not receive a material response to the Pre-Survey Questionnaire (PSQ). A blank PSQ is appended.

Source: JLL Valuation Advisory, Page 32

While JLL Valuation Advisory (assessor) followed the guidelines outlined for a baseline assessment, the assessment was not technically exhaustive, and therefore, the assessment did not provide a comprehensive status of HVAC, fire suppression, elevator, mechanical, electrical, and plumbing systems. For example, in the assessment, a remaining useful life of nine years is noted for the roof systems. This remaining useful life refers to the previously repaired portion of

the roof. Further review of the *Comments* section for the same item shows that a replacement of the entire roof is recommended. [Exhibit 4](#) shows a summary of selected items and their status of estimated useful life (EUL), effective year built (EFF), and remaining useful life (RUL) which might have contributed to an incomplete understanding.

Exhibit 4: Summary of Selected Items from JLL Valuation Advisory Walkthrough Results

DESCRIPTION	Estimated Useful Life	Effective year Built	Remaining Useful Life	COMMENTS
Architectural Components				
Foundation	–	–	–	No information was provided on EUL, EFF, RUL
Framing	–	–	–	No information was provided on EUL, EFF, RUL
Building Cladding/Exteriors	10	7	3	
Roof Repairs	15	6	9	Replacement recommended
Mechanical, Electrical, Plumbing				
Water Distribution and Hot Water	12	6	6	Pipe insulation, pipe condition, and low-flow devices were not observed
Heating / Cooling Systems	25	20	5	One of two chillers was replaced; replacement of the second chiller is recommended; HVAC units are 20 years old
Electrical Service	40	37	3	Unobserved if another main is provided; replacement of the electrical generator is recommended
Elevators	40	40	0	Replacement required

Source: JLL Valuation Advisory Property Condition Assessment

Criteria

- ❖ ASTM International E-18-15 *Standard Guide for Property Condition Assessment*
- ❖ Standards for Internal Control in the Federal Government *Principle 16 Perform Monitoring Activities*
- ❖ *International Standards of Practice for Inspecting Commercial Properties, 2022 Edition*
- ❖ JLL Valuation Advisory Property Condition Assessment

Assessed Risk Rating:

High

Recommendation

C.1. We recommend the **City Manager** leverage experts as needed for real estate acquisitions not related to right-of-way easements.

Observation D: Job Order Contracting

The City's use of job order contracting for Stemmons Center may not be the best method to handle complex construction activities. The risk is the potential for cost overruns and poor project quality.

While job order contracting can be used for alteration and renovation, and minor construction

TEXAS STATE CODE TITLE 10, SUBCHAPTER I.

Job Order Contracting

Sec. 2269.401 – a procurement method used for maintenance, repair, alteration, renovation, remediation, or minor construction when the work is recurring, but delivery time, type, and quantities are indefinite.

Sec. 2269.403(2) – an entity may award job order contraction based on prescribed and pre-priced tasks; the governing body shall approve each job, task, or purchase order that exceeds \$500,000.

projects, larger construction projects such as Stemmons Center are better managed with alternate procurement method such as design-bid-build. Job order contracting relies on pre-established unit pricing for recurring tasks that require less expertise, and the pricing structure may not be adaptable to the complexities of larger construction. An independent review of the pricing list for the approved vendors on the master agreement showed that the expertise needed for the renovation of Stemmons Center was not present.

The Office of Bond and Construction Management noted in several circumstances that the use of job order contracting limited the City's ability to employ experts for design and space planning and evaluating the

functional needs of employees. This contributed to redesigning the same floors (1, 2, 5, 8) 21 times based on a review of POSSE activity and increased costs.

If a job order contract exceeds \$500,000, then additional approval is needed from the governing body. A review of the ten job orders out of 44 issued since the purchase of Stemmons Center (August 2022), identified six job orders were split between vendors at or around \$499,999 to avoid routing for additional approvals, according to staff.

Criteria

- ❖ Texas Local Government Code, Chapter 2269, *Subchapter I Job order contracting*
- ❖ *Contract Monitoring Handbook, Bond and Construction Management, Capital Improvement Projects (City Facilities)*
- ❖ Standards for Internal Control in the Federal Government *Principle 10 Design Control Activities*

Assessed Risk Rating:

High

Recommendation

D.1. We recommend the **Office of Bond and Construction Management** further evaluate the use of job order contracting for large renovation projects and consider cost-effective alternatives.

Observation E: Compliance

A review of the Stemmons Center renovation activities confirmed that the Office of Bond and Construction Management and Development Services did not comply with City Code Chapter 52 *Administrative Procedures for Construction Activities*. Noncompliance with internal procedures reduces public trust in the City's operations.

DEFINITIONS

Permits means a...permit...or other form of authorization required by law, rule, regulation, order, or ordinance that a person must obtain to perform an action, initiate, continue, or complete a project for which the permit is sought.

Source: Texas Local Government Code Chapter 245, Title 7 Subtitle C, Section 245.001

A **Temporary Certificate of Occupancy (TCO)** may be issued by a building official for the temporary use or occupancy of a portion of a structure.

Source: Dallas City Code Chapter 52 *Administrative Procedures for Construction Activities*, Section 306.9

A **Certificate of Occupancy (CO)** a legal document that proves a structure, such as a house, or office building, is safe to inhabit. A Certificate of Occupancy will include three things:

- Description of specific legal use and type of property,
- Verification that the property is up to code; and,
- Confirmation that the property is suitable to be occupied.

Source: <http://bankrate.com/real-estate/certificate-of-occupancy/>

Certificate of Occupancy

A Certificate of Occupancy is required when there is a change of use of land or a building or change of tenant or any change of floor area of an existing use. The City missed the opportunity to update the Certificate of Occupancy when there was a change of tenant (owner).

A Certificate of Occupancy would have remained valid even after the transfer of ownership if no renovations were planned. However, as renovations began, the Certificate of Occupancy became invalid, and a request for a Certificate of Occupancy was not initiated to meet Dallas City Code, Chapter 52 *Administrative Procedures for Construction Activities*, Section 306.1, *Use or Occupancy* requirement: "No structure or land shall be used or occupied...until the building official has issued a certificate of occupancy."

Permits

Another form of compliance is obtaining permits such as mechanical, plumbing, electrical, and other trade permits. Each permit is issued separately and considered complete when inspections related to the permit are completed. Once all the permit activity and inspections are completed, a final inspection is performed, and a Certificate of Occupancy is approved. A review of the POSSE application, where permit activity is tracked, showed that there were 43 construction activities recorded for

Stemmons Center. Of the 43 construction activities, only 16 had supporting permits issued and approved.

Temporary Certificate of Occupancy

When staff was moved into the building in December 2023, staff become aware that neither a Certificate of Occupancy nor necessary permits were in place. When this concern was communicated to management, management initiated a Temporary Certificate of Occupancy.

As renovation nears completion, a Temporary Certificate of Occupancy can be requested if the building is ready for occupation, passes life and safety inspection, and minor non-life-threatening updates remain (such as landscaping). The building official shall set a period during which the Temporary Certificate of Occupancy is valid. The building official may grant one or more extensions for a period not to exceed 30 days. In the absence of formal time expiration, the default is 30 days.

A review of POSSE activity showed that the Temporary Certificate of Occupancy was issued on December 4, 2023, but not approved as it was *Pending Life Safety Inspection*. It was rescinded on April 11, 2024, as issued in error. The Office of Bond and Construction Management requested, and Development Services issued a Certificate of Occupancy in February 2024, and Temporary Certificate of Occupancy for floors 1, 2, 3, 4, and common spaces on March 6, 2024. However, neither the Certificate of Occupancy nor the Temporary Certificate of Occupancy were approved as these documents showed *Pending Life Safety Inspection*, and Dallas Fire-Rescue identified several life safety concerns. [See Observation B.](#)

Criteria

- ❖ Chapter 52 Administrative Procedures for Construction Activities, *Sections 301, 306*
- ❖ Texas Local Government Code, Chapter 245, *Title 7, Subtitle C*
- ❖ Standards for Internal Control in the Federal Government, *Principle 10 Design Control Activities*

Assessed Risk Rating:

High

Recommendation

E.1. We recommend that the **Director of Planning and Development** comply with Certificate of Occupancy and Temporary Certificate of Occupancy requirements as documented in procedures.

Observation F: Cost of Ownership

The total cost of ownership for Stemmons Center is not fully verifiable. As a result, the current cost to date and value from the purchase cannot be established.

An internal cost management process that tracks purchase cost, capital investment, and operational cost for each project is not in place. Per the Office of Bond and Construction Management, capital expenditures are captured by program numbers, and these program numbers are tied to funding sources. For example, for the Stemmons Project, the Office of Bond and Construction Management identified four program numbers. An individual would have to know all funding sources to confirm the program numbers to determine all capital expenditures for a single project. According to the Office of Bond and Construction Management, the cost information provided to the Ad Hoc Committee on General Investigating and Ethics was limited to the information known to the department based on sources of funding.

Other departments who were involved in the Stemmons Project track costs differently. Additionally, operating costs of \$3.2 million were incurred from September 2022 to November 2024, such as electricity, water, physical security, property management, and work orders not associated with construction. The operational cost was not reported to the Ad Hoc Committee on General Investigating and Ethics. [See Exhibit 5.](#)

Exhibit 5: Summary of Ongoing Cost for Stemmons

DESCRIPTION	DATE RANGE	COST IDENTIFIED	COMMENTS
Electricity	November 2022 – July 2024	293,143	Provided by Facilities and Real Estate Management.
Water	September 2022 – August 2024	74,790	Provided by Dallas Water Utilities based on payments made.
Physical Security	September 2023 – August 2024	418,440	Physical security also refers to the security provided by the Dallas Marshal's Office. This does not include the ongoing cost of physical security at Oak Cliff Municipal Center.
Property Management Expense	September 2022 – May 2023	180,061	Property management expenses are unknown by Real Estate Division or Development Services since May 2023.
Information Technology	Unknown	Unknown	No costs were identified for telecommunications such as

DESCRIPTION	DATE RANGE	COST IDENTIFIED	COMMENTS
			access to internet, Wi-Fi, and other connectivity.
Administrative Overhead	Unknown	635,011	Provided by Office and Bond Construction Management and Development Services.
Repairs	September 2022 – November 2024	1,597,408	Provided by Facilities and Real Estate Management based on work order history.
Total Operational Expense		\$3,198,853	

Source: Auditor Prepared

The known costs as presented by the Office of Bond and Construction Management to the Ad Hoc Committee on General Investigating and Ethics as of May 2, 2024, were combined with the operational costs to summarize the total cost of ownership. Based on available information, the cost to purchase, renovate, and continue to renovate Stemmons (\$39.5 million) cost an additional \$14.4 million than the initial planned estimate to buy and renovate (\$25.1 million).

See Exhibit 6.

Exhibit 6: Estimated Total Cost of Ownership

DESCRIPTION	COST
<i>Earmarked by Development Services for Office Replacement</i>	<i>\$36,000,000</i>
<i>Estimate to Build New Building</i>	<i>45,000,000</i>
<i>Estimate to Buy Building and Renovate</i>	<i>25,100,000</i>
<i>Actual Cost of May 2, 2024</i>	<i>22,770,000</i>
<i>Projected Cost of May 2, 2024</i>	<i>16,760,000</i>
<i>Sub Total for Buy Building and Renovate</i>	<i>39,530,000</i>
<i>Variance for Buy Building and Renovate</i>	<i>< 14,430,000 ></i>
<i>Operational Costs September 2022 to November 2024</i>	<i>\$3,198,853</i>

Source: Auditor Prepared

Tracking planned cost against actual cost would have assisted in identifying cost overruns early in the process to allow management to make other decisions.

Criteria

- ❖ Standards for Internal Control in Federal Government *Principle 10 Design Control Activities and Principle 16 Perform Monitoring Activities*

Assessed Risk Rating:

High

Recommendation

F.1. We recommend that the **City Manager** develop a process to estimate and track the total cost of ownership for significant projects.

Appendix A: Background and Methodology

The City of Dallas acquired Stemmons Center, a commercial building to provide a “one-stop shop” experience for builders, developers, and residents. The Stemmons Center will include other City-related and utility partners to complement the business development process.

The goal for the City was to improve the permitting process which led to inefficiencies and business community dissatisfaction. In 2017 Development Services had outgrown the functionality of Oak Cliff Municipal Center. Development Services projected \$36 million for this investment.

The building acquisition was approved on August 10, 2022, by the City Council. A Property Condition Assessment by JLL Valuation Advisory Services, an Environmental Site Assessment Phase I, and an asbestos survey by Terracon were completed. The asbestos survey did identify issues and abatement was completed on limited floors in October 2022. It is unknown what the status of the abatement is for the remaining floors, as the Office of Environmental Quality Sustainability was unable to comment on it.

After 16 months of renovation, employees were required to move into the building in December 2023. After the occupation, employee complaints surfaced about the life and safety conditions as fire alarms were not functioning. As management did not resolve these complaints timely, the escalation by employees continued, and media was involved. This resulted in employees being relocated back to the Oak Cliff Municipal Center in April 2024. These events impacted public confidence and employees’ trust in management.

Budget Management

On May 2, 2024, the Office of Bond and Construction Management reported to the Ad Hoc Committee on General Investigating and Ethics that Development Services earmarked \$36 million for a replacement building. During the same presentation, an estimated cost of \$25.1 million was identified to purchase and renovate Stemmons Center. The estimated cost of \$25.1 million included the \$14.2 million acquisition cost, \$9.7 million of long-term capital needs, and \$1.2 million of immediate expenditures.

The Office of Bond and Construction Management confirmed actual expenditures of \$22.7 million and estimated the projected cost of \$16.8 million. The estimated projected cost would include \$9 million for long-term capital needs, \$2.5 million to complete the renovation of floors six through 11; \$2.7 million for information technology upgrades; \$1.8 million for mechanical, electrical, and plumbing upgrades; and \$760,000 for life and safety systems. As of June 2024, all renovation activities at Stemmons Center have been delayed till further notice.

Economic Development Corporation

Separate from this audit, the Interim City Manager engaged the City of Dallas Economic Development Corporation (EDC) through the Interlocal Agreement to achieve the following goals:

- A condition assessment that identifies the current state of Stemmons Center.
- An estimated budget and timeline to complete the issues identified.
- A go-forward plan to complete the renovation.

Key activities were focused on securing types of permits, Certificates of Occupancies, regulatory approvals, and life and safety inspections. The procedures involved the use of qualified experts to develop a punch list of recommendations for continued maintenance, capital needs, and renovation needs.

Methodology

The audit focused on fact-gathering to understand what the conditions were that led to the current situation and what activities, if performed would mitigate the risk. Departments and teams interviewed for the fact-gathering included:

- | | |
|--|--|
| • City Manager | • Office of Environment Quality Services |
| • Assistant City Managers | • Information & Technology Services |
| • Department of Development Services | • City Controller's Office |
| • Department of Public Works, Real Estate Division | • Dallas Water Utilities |
| • Office of Bond and Construction Management | • Dallas Fire-Rescue |
| • Department of Building Services | • Inspector General Division |
| • Human Resources | • Dallas Marshal's Office |

The audit methodology included: (1) reviewing internal policies and procedures, (2) performing limited email discovery, and (3) verifying execution of and obtaining evidence of management activities and their execution. In addition, all five components of Standards for Internal Control in the Federal Government were considered.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

Mamatha Sparks – Deputy City Auditor, CPA, CIA, CISA, CISSP, CRISC

Matthew Cheadle – In-Charge Auditor, CIA, CFE, CGAP

Shino Knowles – Principal Auditor, CPA

Appendix B: Timeline of Activities

The timeline below is designed to capture a sequence of events for the Stemmons Center. A combination of eDiscovery of emails, interviews, and documents readily available to the Office of the City Auditor were used to create the timeline of events. The timeline of events may not reflect all events that occurred from May 22, 2022, to June 15, 2024. The timeline is organized by purchase activities, renovation activities, and occupancy activities. This timeline was also compared with the timeline presented to the Ad Hoc Committee on General Investigating and Ethics as of May 2, 2024. No significant differences were identified between the reported timeline to the City Council and the detailed timeline below.

Email discovery was focused on individuals who had left the City, where information was not readily available.

- Director of Development Services, Andrew Espinoza, June 2022 – May 2024
- Director of Bond Construction Management, Adriana Castaneda, June 2022 – March 2023
- Assistant Director of Bond Construction Management, Leong Lim, June 2022 – March 2023
- Manager, Development Services, Richard Conger, June 2022 – March 2024

DATE	ACTIVITY
PURCHASING ACTIVITY	
May 2022	<ul style="list-style-type: none"> – City Manager T.C. Broadnax emails Assistant City Manager, Majed Al-Ghafry about Stemmons Center. <i>May 22, 2022</i> – Assistant City Manager, Majed Al-Ghafry contacts the Real Estate Division of Public Works to tour the property. – Real Estate Division, Specialist, Lisa Junge obtains the purchasing information. – Real Estate Division staff and Assistant City Manager, Majed Al-Ghafry complete the tour.
June 2022	<ul style="list-style-type: none"> – Offer sent and accepted by Ricchi Group. <i>June 8, 2022.</i> – Office of Bond and Construction Management staff tour the property. – Office of Bond Construction Management, Project Manager, Ted Giovi, provides mechanical, electrical, and plumbing building estimates of \$6.75 million. Building Services Director, John Johnson, also provided rough estimates completed during a walk through using square footage and comparison project pricing for approximately \$2.8 million, recommending additional professional assessments of HVAC, plumbing, roof, and structural systems. Other individuals involved with the walk through were Building Services Assistant Director, Brian Thompson, and Assistant Director, Amani Saleh. <i>June 16, 2022</i> – Office of Bond and Construction Management, Director, Adriana Castaneda, and Assistant Director, Leong Lim increased the job order contract amount from \$8 million to \$10 million for renovation.
July 2022	<ul style="list-style-type: none"> – Office of Bond and Construction Management, Assistant Director, Leong Lim, meets with staff to discuss renovation plans and identifies \$9 million in long-term capital improvement needs. <i>July 8, 2022.</i>

DATE	ACTIVITY
	<ul style="list-style-type: none"> Office of Bond Construction Management, Director, Adriana Castaneda, and Assistant Director, Leong Lim, and Development Services, Director, Andrew Espinoza, Assistant Director, Vernon Young, and Deputy Director of Public Works, Mina Eskander, initiate space planning and staffing needs. <p>Real Estate Division, Specialist, Lisa Junge receives property condition assessment. JLL Valuation Advisory identifies immediate needs of \$1.2million and long-term costs of \$1.6 million over one to 12 years. July 21, 2024</p>
August 2022	<ul style="list-style-type: none"> The City Council approves Resolution No. 22-1139 authorizing \$14.2M to purchase the building by unanimous consent. <i>August 10, 2022</i> Office of Environmental Quality Services, Senior Coordinator, Lori Trulson, receives Environmental Site Assessment. Department of Public Works, Senior Project Coordinator, Gladys Facen, questions parking capacity. Office of Environmental Quality Services, Senior Environmental Coordinator, Lori Trulson, receives draft asbestos survey results.
September 2022	<ul style="list-style-type: none"> Office of Bond and Construction Management, Director, Adriana Castaneda, informed of the parking deficit based on staffing by 44 spaces. Courts and Detention, Security Technology Manager, Reginald Creer, conducts a property walkthrough. City of Dallas closes property purchase for \$14.2 million, City takes ownership of the property. <i>September 23, 2022</i> Office of Bond and Construction Management, Director, Adriana Castaneda, updates the City Manager's Office and sends a memo to City Council regarding on-site mechanical, electrical, and plumbing, fire alarm, fire sprinkler, and high-level visual surveys of equipment. Office of Bond and Construction Management, Project Manager, Ted Giovi, receives Development Services draft floor plans for floors 1, 2, 3, 5, 8, and 9.

DATE	ACTIVITY
	<ul style="list-style-type: none"> Office of Bond and Construction Management requests electrical upgrades to accommodate the increased staff load and equipment for 100 to 120 people per floor rather than the existing capacity of 75 per floor.
RENOVATION ACTIVITIES	
October 2022	<ul style="list-style-type: none"> Bi-weekly update meetings held by Office of Bond and Construction Management, Director, Adriana Casteneda, with different departments for Phase I. Office of Bond and Construction Management, Assistant Director, Leong Lim, Project Manager, Ted Giovi, Building Services, Assistant Director, Brian Thompson, and Superintendents, Normal Butler, and Raymond Hernandez meet with job order contractors to scope work for floors 5 and 8. Office of Bond and Construction Management and Office of Environmental Quality set asbestos abatement to begin on floors 1 and 8. Development Services requests changes to the spacing and design plan. Office of Bond and Construction Management team expresses doubt that floor 5 will be completed by December 2022.
November 2022	<ul style="list-style-type: none"> Vendor Terracon completes asbestos abatement for floors 1 and 8. Building Services identifies a city-wide master agreement with potential for \$9 million spend for Office of Bond and Construction Management that can be applied to Stemmons project. Office of Bond and Construction Management requests \$499,975 from Development Services to fund carpet allowance for the 5th floor and demolition on floors 1, 2, 8, and 9. Office of Bond and Construction Management, Director, Adriana Casteneda, tasked with leading renovations through a job order contracting Resolution No. 22-1676. <i>November 9, 2022.</i>

DATE	ACTIVITY
	<ul style="list-style-type: none"> – Office of Bond and Construction Management, Director, Adriana Castaneda, updates Development Services, Building Services, and the City Manager's Office that the planned move date is December 16, 2022. <i>November 9, 2022</i> – Office of Bond and Construction Management, Project Manager, Ted Giovi, shares a design for floor 8 with Public Works for conceptualization and to determine the needs of the department. – Public Works, Assistant Director, Jennifer Nicewander, is unaware that Public Works is getting two floors at Stemmons Center. – Office of Bond and Construction Management, Assistant Director, Candi Green, raises concern that job order capacity may not be enough and requests plans for upcoming expenditures. – Office of Bond and Construction Management raises doubts and concerns about the budget and funding for information technology upgrades. – Office of Bond and Construction Management Director, Adriana Castaneda schedules a kick-off meeting with vendor. The demolition will start on November 30, 2022, and the sequencing should be floors 5, 9, 8, 2, and 1. – Office of Bond and Construction Management, Assistant Director, Leong Lim, requests a permit from Development Services, Director, Andrew Espinoza, and Deputy Building Official, James Metzgar, who responds that a permit application will be submitted on December 2, 2022.
December 2022	<ul style="list-style-type: none"> – Office of Bond and Construction Management, Assistant Director, Leong Lim shares an estimate on furniture cost for floor 5 at \$888,000. – Office of Bond and Construction Management, Director, Adriana Castaneda updates Assistant City Managers, Majed Al-Ghafry and Robert Perez and City Manager's Office of parking issues. Public Works, Fleet Management, Manager, Luis Ulloa, and Real Estate Division, Assistant Director, Ashley Eubanks, begin the search for off-site parking for the fleet.

DATE	ACTIVITY
	<ul style="list-style-type: none"> – Ricchi Group representative informs the City that notices of ongoing construction are not posted, construction debris is not being secured properly, and floor covering caused a FedEx delivery person to trip and fall. Office of Bond and Construction Management, Assistant Director, Leong Lim visits the building, adds warning signs, and removes the rug. – Office of Bond and Construction Management updates that the transition target is March 2023. – Floors 1 and 8 were vacated. Finish out begins on vacant floors 1, 2, 8, and 9. Development Services provides final draft floor layouts for floors 1, 2, 5, and 9 and a list of staff for relocation. – Office of Bond Construction Management, Director, Adriana Castaneda shares a workbook schedule of expenses as of December 28, 2022, including the purchase of property: \$14,165,000 and approximately \$3.3 million for furniture and partitions. Emphasis placed on making sure the project does not go over \$5 million. Current estimate at \$3.4 million. – Vendor notes that there is a hold on the building from the Development Services Inspector, Carlton King, regarding the construction activities. Development Services, Director, Andrew Espinoza requests other development personnel to find an expedient solution. – POSSE permit for demolition of floors 1, 2, 8, and 9 issued. <i>December 7, 2022</i>
January 2023	<ul style="list-style-type: none"> – Office of Bond Construction and Management, Project Manager, Ted Giovi, updates the lead time for electrical equipment is five months. – Office of Bond and Construction Management shares updated drawings for floors 6 and 8. – Public Works, Assistant Director, Jennifer Nicewander notes that the staff counts for her staff are not correct. – Development Services, Deputy Building Official, James Metzgar leaves the City. <i>January 11, 2023</i> – Development Services, Director, Andrew Espinoza acknowledges a different approach to partitions and furniture purchasing for first-floor needs and layout. Development Services pushes back on partition funds

DATE	ACTIVITY
	being sourced from Development Services instead of the \$5 million job order contract funds. Office of Bond and Construction Management, Director, Adraina Casteneda, requests Assistant City Manager, Majed Al-Ghafry to coordinate with Development Services, Director, Andrew Espinoza.
February 2023	<ul style="list-style-type: none"> – Floor plan and furniture layouts were changed from framed offices and cubicles to the "VARI" open-concept furniture and partition wall system. This then required a necessary redesign for the floor's electrical, data, fire alarm, and fire sprinkler. – Code Compliance no longer will be moving to Stemmons Center, so the auditorium is no longer needed on the first floor. – Development Services' move-in date is now April 2023. <i>February 17, 2023</i> – Development Services, Director, Andrew Espinoza, requests a plan change for floor 8 to accommodate the training center and file storage space. – Fire alarm and fire sprinkler systems were put on hold till funding became available. – Performance of 2 of the 3 functional and in-service elevators declined significantly.
March 2023	<ul style="list-style-type: none"> – Dallas Marshal's Office reports the theft of phone equipment (<i>March 2, 2003</i>) and reports an employee stuck in an elevator (<i>March 14, 2023</i>). Dallas Fire-Rescue resolves the issue. – POSSE permit created for electrical upgrade on floor 2. <i>March 28, 2022</i> – Office of Bond and Construction Management, Director, Adriana Casteneda, leaves the City. <i>March 7, 2023</i> – Office of Bond and Construction Management, Assistant Director, Leong Lim leaves the City. <i>March 22, 2023</i>
April 2023	– POSSE permits issued for floors 1, 2, 7, 8, 5. <i>Issued April 18, 2023, and April 27, 2023.</i>
May 2023	– POSSE permit issued for electrical upgrade on floor 9.

DATE	ACTIVITY
	<ul style="list-style-type: none"> – Rent collection from tenants ends by Riloma Property Management. Property management expenses are not tracked. The Real Estate Division is continuing to collect rent for the remaining tenant. – Floors 3 and 4 were vacated.
July 2023	<ul style="list-style-type: none"> – All tenants vacate the building, except Tricon Group, Suite 725. – Dallas Marshal's Office receives notification of an employee falling off a ladder, hit head, and bleeding. Called 911. <i>July 24, 2023</i> – POSSE master permit issued for floor 2 remodel.
August 2023	<ul style="list-style-type: none"> – Building Services, Assistant Director, Amani Saleh, leaves the City. <i>August 11, 2023</i> – Dallas Marshal's Office receives notification of stolen HVAC refrigerant tank.
September 2023	<ul style="list-style-type: none"> – POSSE master permit issued electrical upgrade first floor, building frame first floor. – Dallas Marshal's Office receives notification of water leaking and flooding on floors 6-10.
October 2023	<ul style="list-style-type: none"> – POSSE master permit issued electrical upgrades for floors 3 and 4
BUILDING OCCUPANCY ACTIVITIES	
December 2023	<ul style="list-style-type: none"> – Inspector General Division receives a complaint that a Temporary Certificate of Occupancy is issued without a Certificate of Occupancy review. <i>December 15, 2023. Closed after referral to Dallas Fire-Rescue on January 29, 2024.</i> – Approximately 40 Development Services personnel move to the property, floor 5. <i>December 18, 2023</i> – Personnel identifies technology issues: no internet or printer access. – City vehicles cannot be parked in the garage as the height of trucks is too high to access parking garage.

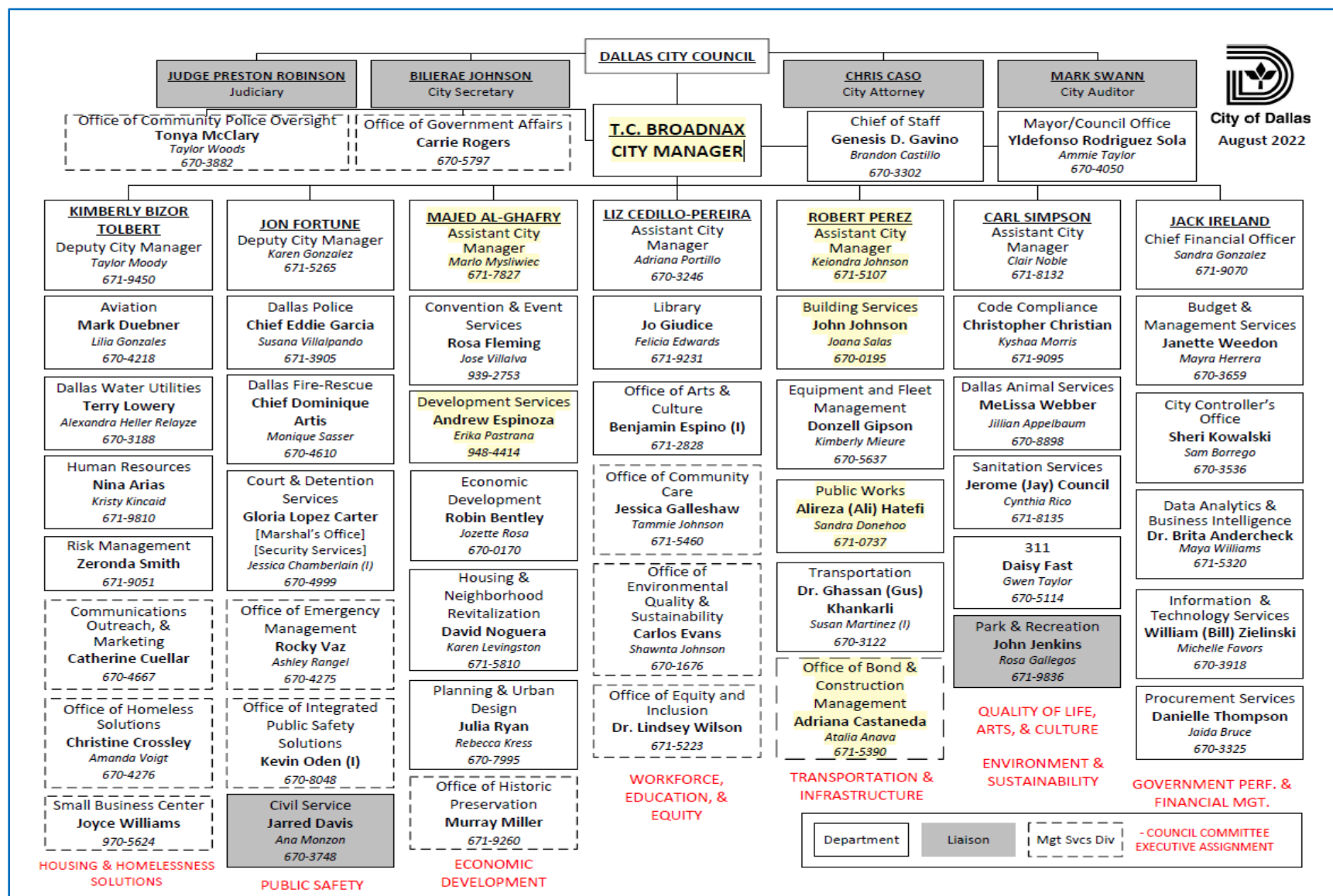
DATE	ACTIVITY
	<ul style="list-style-type: none"> – POSSE permit for a Temporary Certificate of Occupancy issued by Development Services with pending inspection for floor 5. <i>December 19, 2023. (Note: This item was canceled April 11, 2024, as issued in error).</i> – Floor 2 remodel is complete. – Bathrooms not functional. Development Services, Senior Architect, informs employees at Stemmons Center to use floors 1-4.
January 2024	<ul style="list-style-type: none"> – Dallas Marshal's Office investigates vehicle taillights stolen from an employee's personal truck. – Inspector General Division receives complaint about working in an unsafe building on January 5, 2024. <i>Closed after referral to Dallas Fire-Rescue on January 29, 2024.</i> – 35 Development Services employees move to floor 2. <i>January 16, 2024</i> – Dallas Fire-Rescue receives a letter from a concerned citizen, and the spouse of an employee working in the building. The letter cites issues with plumbing, heating and air conditioning, elevators, fire alarm systems, Certificate of Occupancy, and construction zone. <i>January 25, 2024</i> – 311 receives a complaint call about a cold building and routed to Building Services. SR 24-24489 was routed to BSD and investigated and found thermostats set to 62, onsite staff confirmed requested temperature. <i>January 23, 2024</i> – Development Services management team emails employees to remain on floor 5. <i>January 29, 2024</i> – Human Resources Partner, Alexis Landaeta, attends meetings with the Office of Bond and Construction Management, Office of Risk Management, and Development Services to focus on employee concerns.
February 2024	<ul style="list-style-type: none"> – Dallas Fire-Rescue inspects the property and finds 39 hazards. <i>February 7, 2024</i> – Inspector General Division receives a complaint that the City purchased a building that costs more to repair than planned, life safety systems are not functioning, and there is no Certificate of Occupancy on February 2, 2024. <i>Closed after referral to Dallas Fire-Rescue on February 23, 2024.</i>

DATE	ACTIVITY
	<ul style="list-style-type: none"> – The Office of Bond and Construction Management and Development Services receives complaints about health and safety from the United Steel Workers. City Council members also receive this complaint. – Office of Bond and Construction Management submits a Certificate of Occupancy application for the entire building. <i>February 29, 2024</i> – Dallas Marshal's Office investigates contractor's vehicle that was broken into. – Human Resources Partner, Alexis Landaeta, meets with Development Service employees about the attendance policy enforced by Director Andrew Espinoza. Other issues regarding building safety were also communicated. <i>February 27, 2024.</i>
March 2024	<ul style="list-style-type: none"> – Four Development Services employees are located on floor 3. No Temporary Certificate of Occupancy. March 4, 2024 – POSSE pending inspection for certificate of occupancy for floors 1, 2, 3, 4, and common spaces; Temporary Certificate of Occupancy submitted for floor 1. March 4, 2024 – POSSE master permit issued for electrical upgrade on floor 2. – Development Services, Building Inspection Manager, Richard Conger, leaves the City. March 5, 2024 – Inspector General Division receives a complaint that there is no Certificate of Occupancy, and the building is unsafe on March 27, 2024. <i>Closed after referral to the Office of the City Auditor on May 3, 2024.</i> – 311 complaints routed to Building Services of power outlets not working. Building Services investigated, SR 24-68950 finding the electrical work in question was recently completed by contractor and should be repaired under warranty. <i>(March 6, 2024)</i> – 311 complaints about potential mosquito breeding due to standing water <i>(March 27, 2024)</i>. No violation found.
April 2024	<ul style="list-style-type: none"> – Dallas Fire-Rescue conducts follow-up inspection notes that one hazard has been corrected and an additional four violations on fire alarm monitoring exist. The fire alarm is not working on every floor.

DATE	ACTIVITY
	<p>Testing shows fire alarm heard on 2nd floor and floors 3-11 did not sound. A fire watch is initiated from 7 A.M. to 6 P.M. daily while the building is open. <i>April 3, 2024</i></p> <ul style="list-style-type: none"> – Development Services, Deputy Building Official, Donald Dixon, raises concerns about Temporary Certificates of Occupancies for floors 1-5 to Director, Andrew Espinoza. – Development Services personnel were directed to transition back to Oak Cliff Municipal Center by Assistant City Manager, Majed Al-Ghafry, with approval from City Manager, T.C. Broadnax. <i>April 9, 2024</i>
May 2024	<ul style="list-style-type: none"> – City Manager, T.C. Broadnax, leaves the City. <i>May 2, 2024</i> – Office of Bond and Construction Management briefs Ad Hoc Committee on General Investigating and Ethics. The Ad Hoc Committee on General Investigating and Ethics requests this audit. <i>May 2, 2024</i> – Inspector General Division receives a complaint that the building is unsafe on <i>May 3, 2024</i>. Closed after referral to the Office of the City Auditor on <i>May 14, 2024</i>. – Office of Bond and Construction Management uses job order contracts to replace the fire pump controller, 371 existing fire sprinkler heads, two control valves on the pump, and 371 sprinkler escutcheons with heads. Inspections are scheduled for July 2024. – POSSE master permit issued for fire sprinkler. – Inspector General Division receives a complaint that the building is unsafe. <i>May 8, 2024</i>. Closed after referral to the Office of the City Auditor on <i>May 14, 2024</i>. – Interim City Manager, Kimberly Tolbert, identifies Economic Development Corporation to assess the cost and time needed to make Stemmons Center functional. <i>May 21, 2024</i> – City employee emails council members about Temporary Certificates of Occupancies being invalid. <i>May 31, 2024</i>.
June 2024	<ul style="list-style-type: none"> – Development Services, Deputy Building City Official, Donald Dixon, leaves the City. <i>June 7, 2024</i>

DATE	ACTIVITY
	<ul style="list-style-type: none">– Assistant City Manager, Robert Perez, leaves the City. <i>June 11, 2024</i>– Assistant City Manager, Majed Al Ghafry, leaves the City. <i>June 30, 2024</i>– POSSE master permit issued for fire alarm.

City of Dallas Organizational Chart – August 2022



Appendix C: Management Response

Memorandum



DATE: April 18, 2025
TO: Mark S. Swann – City Auditor
SUBJECT: Response to Audit of Stemmons Center

This letter acknowledges the City Manager's Office received the [*Audit of Stemmons Center*](#) and submitted responses to the recommendations in consultation with the Office of Bond and Construction Management, Planning and Development, Facilities and Real Estate Management, Dallas Fire-Rescue, Human Resources, the Ethics Officer, and the Office of Inspector General.

We appreciate the work of you and your staff in identifying the regrettable actions taken in acquiring the Stemmons Center and key points of internal control failure.

It should be noted that the primary individuals involved in acquiring the Stemmons Center are no longer with the City. Nonetheless, the internal control failures that occurred throughout this process are not acceptable, and I am dedicated to ensuring this situation never occurs again.

I recognize the importance of "tone at the top" and regularly meet with my executive leadership team to ensure everyone, regardless of position, follows the established processes and is held accountable for their actions. In addition, we will strengthen processes around transformative events, such as building acquisitions, by establishing a cross-functional team to develop formal guidance to reduce risk when the City engages in extraordinary projects or changes, such as the Stemmons Center acquisition. The guidance will consider best practices and address the internal control weaknesses noted in the audit.

In addition, I will ensure that relevant departments, led by the Human Resources Director and the Ethics Officer, will engage with the Office of the Inspector General to enhance processes for employee complaints and consider the auditor's specific suggestions.

Further, the Director of Office of Bond and Construction Management and Development Services will create training material to reinforce applicable Texas State and Dallas City Code sections, respectively. Additionally, the departments will enhance their procedures to ensure compliance with the respective requirements.

We remain committed to implementing internal controls for each audit recommendation in this report. However, management will accept the risk for two recommendations for which it will be difficult to demonstrate risk mitigation during the defined audit follow-up process.

One recommendation is for the City to leverage experts when acquiring real estate. We will implement controls to ensure experts are leveraged when acquiring real estate. Until additional real estate is acquired, it may not be possible to demonstrate that the controls effectively mitigated the risk.

We will accept the risk and take substantive measures to enhance the existing process of estimating and tracking the total cost of ownership for significant projects. Estimating the total cost of ownership for diverse and complex assets, possibly 50 or more years into the future, requires resources that the City and few municipalities possess. For this reason, this will be an iterative process, and City management is unable to commit at this time to a specific date when these efforts will yield sufficient risk mitigation.

Please let me or my team know if you have any questions.

Service First, Now!



Kimberly Bizzor Tolbert
City Manager

C: Jack Ireland, Chief Financial Officer
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Robin Bentley, Assistant City Manager
Dev Rastogi, Assistant City Manager
Donzell Gipson, Assistant City Manager
Emily Liu, Director, Planning and Development
Jennifer Nicewander, Director, Office of Bond & Construction Management
John Johnson, Director, Facilities and Real Estate Management
Hai Tran, Director (I), Office of Equity and Inclusion and Ethics Officer, City Manager's Office
Kelly Bevers, Inspector General (I)

Assessed Risk Rating	Recommendations	Concurrence and Action Plans		Implementation Date	Follow-Up/ Maturity Date
High	We recommend the City Manager:				
A.1	<p>Develop an approach to manage major workforce relocation changes. Some best practices to consider are:</p> <ul style="list-style-type: none">• Development of an acquisition plan that addresses technical, business, and cost management such as life-cycle cost, design-to-cost, trade-offs, and internal resources to support acquisition.• Use of organizational change management steps to consider employee involvement and support, leadership accountability, and communication channels.• To set specific and measurable expectations for management’s accountability and ownership.• Include appropriate city departments in the purchase evaluation (e.g. Office of City Marshal for building security,	Agree	<p>The City Manager will ensure a cross-functional team develops formal guidance on managing major workforce relocation changes. The guidance will establish criteria for determining if a workforce relocation is significant, consider best practices, and address applicable internal control weaknesses noted in the audit.</p> <p>The City Manager will also ensure appropriate communications channels are in place to inform employees of changes and provide an applicable follow-up process.</p>	03/31/2026	09/30/2026

Assessed Risk Rating	Recommendations	Concurrence and Action Plans		Implementation Date	Follow-Up/ Maturity Date
B.1	Information and Technology Services for technology).				
	<p>Work with Office of Inspector General to review existing channels for effective resolution of employee complaints. Some considerations to strengthen the process are:</p> <ul style="list-style-type: none"> • Training Human Resources Partners on their roles and responsibilities and reinforcing these responsibilities through obtaining feedback from their supported departments. • Establishing guidelines on enhancing communication between the Office of Inspector General and other departments. • Enhancing the 311 process so that incoming calls from employees are routed for timely resolution. • Establishing an Ombudsperson to be an advocate for employee and resident complaints. 	Agree	<p>The City has a robust process that is generally effective for most employee complaints across the organization. However, we acknowledge the process was not effective in this instance.</p> <p>The City Manager will ensure that relevant departments, led by the Human Resources Director and the Ethics Officer, will engage with the Office of the Inspector General to enhance processes for employee complaints and ensure appropriate follow-up protocols with employees.</p>	09/30/2025	09/30/2026

Assessed Risk Rating	Recommendations	Concurrence and Action Plans		Implementation Date	Follow-Up/ Maturity Date
C.1	Leverage experts as needed for real estate acquisitions not related to right-of-way easements.	Accept Risk	<p>The City Manager has instructed staff to immediately suspend all real estate purchases unless previously approved by Dallas voters or the City Council. In addition, we are leveraging our existing agreement with CBRE to evaluate and strategically repurpose underused assets and support our priority asset monetization projects. In addition, CBRE will assist with creating new policies and procedures, review staffing and structural needs, and explore necessary technology upgrades.</p> <p>We anticipate these enhancements will be in place by the implementation date. However, without a future acquisition with which to test our controls, the auditors may not be able to determine if the risk was mitigated during a follow-up audit.</p> <p>Therefore, management will accept the risk associated with this recommendation but remains committed to strengthening and enhancing controls.</p>	03/31/2026	N/A
	F.1 Develop a process to estimate and track the total cost of ownership for significant projects.	Accept Risk	<p>The City has an effective process for capturing the most significant expenses related to projects so that they may be properly accounted for and capitalized.</p> <p>The City Manager will enhance existing processes by ensuring a cross-functional team develops formal guidance on estimating and tracking the total cost of ownership over the</p>	N/A	N/A

Assessed Risk Rating	Recommendations	Concurrence and Action Plans		Implementation Date	Follow-Up/ Maturity Date
			<p>project's estimated useful life to more completely capture the total cost of ownership.</p> <p>However, this process is complex, appears novel in municipal government, and is only as valuable as the accuracy of the various long-term assumptions used in the estimate. For these reasons, the implementation will be iterative and City management is unable to commit to a specific date when these efforts will yield sufficient risk mitigation.</p>		
	We recommend the Office of Bond and Construction Management:				
D.1	Evaluate the use of job order contracting for large renovation projects and consider cost-effective alternatives.	Agree	The Office of Bond and Construction Management will create training material to reinforce applicable sections of the Texas State Code and ensure procedures provide guidance on various procurement methods, such as job order contracting and design-bid-build, and their appropriateness for a given scenario.	09/30/2025	03/31/2026
	We recommend the Director of Development Services:				
E.1	Comply with Certificate of Occupancy and Temporary Certificate of Occupancy requirements as documented in procedures.	Agree	<p>Development Services will create training material to reinforce applicable sections of the Dallas City Code.</p> <p>In addition, Development Services will enhance their procedures to provide additional guidance related to issuing and following procedural requirements of</p>	09/30/2025	03/31/2026

Assessed Risk Rating	Recommendations	Concurrence and Action Plans	Implementation Date	Follow-Up/ Maturity Date
		Certificates of Occupancy and Temporary Certificates of Occupancy.		