



**Date:** April 21, 2025

**To:** Sheryl M.M. Long, City Manager

**From:** Lauren Sundararajan, CFE, Internal Audit Manager *LS*

**Copies to:** Internal Audit Committee  
William Weber, Assistant City Manager  
Markiea L. Carter, Department of Economic and Community Development  
Director

**Subject:** **REDI Cincinnati Contract Compliance Audit**

---

Attached is the Regional Economic Development Initiative (REDI) Cincinnati contract compliance audit report. The primary objective of this audit was to confirm compliance with contractual terms and the efficiency of internal controls applicable to the REDI Cincinnati contract. This audit was conducted in accordance with the current audit agenda.

We would like to thank the management and staff of the Department of Community and Economic Development for their assistance and cooperation during this audit.

If you need any further information, please contact me.

Attachment

# REDI Cincinnati Contract Compliance Audit

---

April 2025



Lauren Sundararajan, CFE  
Internal Audit Manager

Ann Herzner, OFS  
Senior Internal Auditor

## Table of Contents

Executive Summary	1
I. Introduction	2
Background	
Audit Selection	
Audit Objective	
Audit Scope and Methodology	
Statement of Auditing Standards	
Commendations	
II. Audit Findings and Recommendations	4
III. Conclusion	6
IV. Department of Community and Economic Development Response	7

## **Executive Summary**

Internal Audit (IA) conducted a contract compliance audit of the Regional Economic Development Initiative (REDI) Cincinnati contract, which is managed by the Department of Community and Economic Development (DCED). The primary objective of this audit was to confirm compliance with contractual terms and the efficiency of internal controls applicable to the REDI Cincinnati contract.

Leveraged support funding is a financial obligation given to external organizations that support programs aimed at addressing a public need, or an organization's general operating efforts within the City of Cincinnati (City). REDI Cincinnati is an economic development organization that brings the area's business and community leaders together to ignite the regional economy. The organization has been a recipient of leveraged support funding since 2016, receiving \$250K annually.

The audit revealed opportunities for improvement over contract management. For example, IA found that DCED has not established a method when reviewing contract documents, which is critical to ensure all of the information submitted is properly vetted by the contract manager. Additionally, IA found that a majority of the funding is allocated to personnel costs, and per department policy, agencies may submit payroll ledgers or journals in lieu of other payroll documentation; however, the payroll journals are insufficient to determine whether contract terms are upheld.

Further, performance metrics are submitted twice per year; however, the supporting data to verify the metrics have been met is not centrally stored. In addition, the fiscal year (FY) 2025 REDI Cincinnati contract requires biweekly meetings; however, documentation such as meeting agendas and minutes are not utilized, decreasing transparency in government operations and making it difficult for a third-party to verify contract terms.

To improve performance in contract management, IA recommends the following: establish a method when reviewing contract documents to ensure all information submitted is properly vetted, update the department's Standard Operating Procedures (SOP) to require agencies to submit more detailed information concerning staff time, and ensure proper documentation is maintained, centrally stored, and readily available for a third-party to verify. Implementing these recommendations will ensure the City fully benefits from REDI Cincinnati services and is providing strong stewardship over its funds.

## I. Introduction

### Background

Leveraged support funding is a financial obligation given to external organizations that support programs aimed at addressing a public need, or an organization's general operating efforts within the City. Regardless of the amount of funding received or what services are performed, organizations must complete the work within the City limits.<sup>1</sup> DCED monitors a variety of leveraged support contracts that are categorized as either Economic Development and Neighborhood Support, Equity and Inclusion, Human Services and Violence Prevention, and Workforce Programming and Poverty Reduction.

REDI Cincinnati, an economic development organization which brings the area's business and community leaders together to ignite the regional economy, is one recipient that receives leveraged support funding. Per contract terms, REDI Cincinnati is tasked with providing services that stimulate economic growth through the implementation of job creation, retention, expansion, and capital investment.<sup>2</sup>

Performance metrics stated in the contract regarding REDI Cincinnati services are submitted to the City twice per year.<sup>3</sup> The metrics include the number of jobs created and retained, the total amount of payroll created and retained, and the total amount of capital investment created. Additionally, these metrics must capture the number of companies served through Business Retention & Expansion (BR&E) visits, the number of industries served through incentives facilitated or provided directly, and the number of businesses served through site searches conducted. Collectively, the numbers reported from these metrics represent the total number of businesses served by REDI Cincinnati to promote business development, growth, and investment in the City.

Since 2016, REDI Cincinnati has received \$250K annually in leveraged support funding. IA reviewed the FY 2024 and FY 2025 contracts and found in both contracts, personnel costs accounted for \$221K in FY 2024 and \$230K in FY 2025.

---

<sup>1</sup> <https://www.cincinnati-oh.gov/budget/leveraged-support/>

<sup>2</sup> REDI Cincinnati FY 2025, p. 1.

<sup>3</sup> There are two sets of performance metrics listed in the contract. The regional performance metrics are representative of REDI Cincinnati's regional targets for the calendar year due to the organization's involvement with businesses throughout the Greater Cincinnati area. The City-specific metrics are representative of the work completed within the City limits.

**Audit Selection**

IA conducted this audit in accordance with the Audit Work Plan.

**Audit Objective**

The primary objective of this audit was to confirm compliance with contractual terms and the efficiency of internal controls applicable to the REDI Cincinnati contract.

**Audit Scope and Methodology**

To accomplish the audit objective, IA reviewed FY 2024 and FY 2025 REDI Cincinnati contracts, pertinent policies and procedures, interviewed appropriate staff, and examined receipts, invoices, and payroll records. Records reviewed include data from FY 2024 and FY 2025.

**Statement of Auditing Standards**

As required by the Cincinnati Administrative Code Article II §15, this audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS), except for standard 5.60 pertaining to external peer review requirements. This exception did not have a material effect on the audit.

IA continues to conduct internal quality reviews to assure conformance with applicable GAGAS. IA performed the fieldwork between January and March of 2025.

**Commendations**

IA commends the staff of DCED for their cooperation throughout the audit.

## II. Audit Findings and Recommendations

### *Contract management review and oversight needs improvement.*

Contract management review and oversight is necessary to ensure the integrity and viability of a legally binding document. In order for REDI Cincinnati to get reimbursed for services performed, the expenses incurred and the payments made are submitted to the department for review and approval. Documents submitted may include payroll records, invoices, contracts, receipts, canceled checks, just to name a few. The request for leveraged support payments are accompanied by the performance metrics set forth in the contract.

For the FY 2024 and FY 2025 contract years, REDI Cincinnati sought reimbursement from the City during the first half of the FY year, providing six-months' worth of documentation for expenses incurred. The total amount of expenses submitted was far greater than the allocated amount in the contracts.

IA reviewed the documents submitted for the FY 2024 and FY 2025 REDI Cincinnati contracts and found the following omissions: the workers compensation and liability insurance document was missing from the FY 2024 file; one receipt submitted contained dates outside of the contract period for FY 2024; and one missing invoice for each of the FY 2024 and FY 2025 documents, totaling more than \$14K.

**Recommendation 1:** Establish a method when reviewing contract documents to ensure all information submitted by the agency is properly vetted.

**Department Response:** Agree. DCED can create a checklist to review invoices and contract documentation that summarizes the requirements of the Department invoicing SOPs. The Division Manager will verify the review is accurate prior to approving payment.

*The payroll journals contain insufficient information to determine whether contractual terms are upheld.*

The REDI Cincinnati contracts allow for a 22.5% reimbursement of ten employees' salaries.<sup>4</sup> The percentage calculated represents the direct time spent (by each employee) on the City's contract. Per department policy, agencies may submit a payroll ledger or journal in lieu of other payroll documentation in order to satisfy the contract requirement. IA reviewed the payroll journals submitted for the FY 2024 and FY 2025 contracts and found that documentation is insufficient. Therefore, this policy should be expanded to include itemized records, such as timesheets, to ensure time is properly allocated to the contract.

**Recommendation 2:** Update the department's *Claim Voucher and Invoice Review and Approval* SOP and require agencies to submit more detailed information concerning staff time to ensure contract terms are upheld.

**Department Response:** Agree. DCED should work with REDI on updating the 22.5% payroll reimbursement requirement and require REDI to provide itemized records for staffing time, not just payroll reports. DCED will update Department SOPs as necessary and more broadly apply

---

<sup>4</sup> Scheduling Cost Schedule 1 – Personnel Costs, page 14 of the FY 2024 REDI Cincinnati contract and page 13 of the FY 2025 REDI Cincinnati contract.

detailed payroll verification examinations to other leveraged funding agreements assigned to DCED.

*A third-party is unable to verify the terms of the contract.*

The REDI Cincinnati contracts require performance metrics to be submitted twice per year through the platform OnBase.<sup>5</sup> Additionally, the FY 2025 contract requires REDI Cincinnati to meet with City officials bi-weekly to discuss trends and developments in the City. IA found after performance metrics have been submitted, they are retained in an electronic case file by the contract manager. However, the supporting data to ensure the metrics are met is not centrally stored, making it difficult for a third-party reviewer to independently verify.

Also, the FY 2025 contract requires REDI Cincinnati to meet biweekly with department officials to provide status updates on projects and leads impacting current businesses within the City limits.<sup>6</sup> Although IA was informed that biweekly meetings do occur, IA was unable to obtain documentation because meeting agendas are not utilized and minutes are not taken. As such, the lack of documentation decreases transparency in government operations and makes it difficult for a third-party to verify contract terms.

**Recommendation 3:** Ensure proper documentation is maintained, centrally stored, and readily available for a third-party to verify contract terms are upheld.

**Department Response:** Agree. DCED will work with the City Manager's Office to revise performance metrics that align with City economic development goals and that can be tracked and verified by third parties. Two useful metrics have been BR&E visits and incentives facilitated which can be better tracked to show outcomes derived from these services. We will have REDI provide additional detail in regular reporting that will help with outcome verification. We will also store reporting documentation in a central location for readily available review.

*The contract language should be updated.*

A contract clause in the FY 2024 and FY 2025 REDI Cincinnati contracts states, "as part of the City of Cincinnati's investment, a representative of the City may join Recipient on both a domestic and international business development mission."<sup>7</sup> Although IA was informed by DCED management that the current administration has not traveled with REDI Cincinnati on these trips during FY 2024 or FY 2025, the contract language does not stipulate who is responsible for funding the trips. As such, IA found contract language should be updated to clarify how these trips are funded.

**Recommendation 4:** Work with the Law Department to ensure contract language is updated and complies with applicable laws.

**Department Response:** Agree. DCED will work with Law and REDI to clarify how business development missions are paid for in the contract.

---

<sup>5</sup> OnBase is a content services platform used by the Office of Performance Analytics (OPDA) to organize, manage and optimize content, processes, and cases enabling efficiency and agility.

<sup>6</sup> REDI Cincinnati FY 2025 contract, Program Services, p. 10.

<sup>7</sup> REDI Cincinnati FY 2024 and FY 2025 contracts, Program Services, p. 10.

### **III. Conclusion**

DCED is responsible for managing leveraged support contracts to ensure City funds are properly spent and invested in City neighborhoods. The audit revealed opportunities for improvement over contract management.

To improve performance in contract management, IA recommends the following: establish a method when reviewing contract documents to ensure all information submitted is properly vetted, update the department's SOP to require agencies to submit more detailed information concerning staff time, and ensure proper documentation is maintained, centrally stored, and readily available for a third-party to verify. Implementing these recommendations will ensure the City fully benefits from REDI Cincinnati services and is providing strong stewardship over its funds.

#### **IV. Department of Community and Economic Development Response**

**Recommendation 1:** Establish a method when reviewing contract documents to ensure all information submitted by the agency is properly vetted.

**Department Response:** Agree. DCED can create a checklist to review invoices and contract documentation that summarizes the requirements of the Department invoicing SOPs. The Division Manager will verify the review is accurate prior to approving payment.

**Recommendation 2:** Update the department's *Claim Voucher and Invoice Review and Approval* SOP and require agencies to submit more detailed information concerning staff time to ensure contract terms are upheld.

**Department Response:** Agree. DCED should work with REDI on updating the 22.5% payroll reimbursement requirement and require REDI to provide itemized records for staffing time, not just payroll reports. DCED will update Department SOPs as necessary and more broadly apply detailed payroll verification examinations to other leveraged funding agreements assigned to DCED.

**Recommendation 3:** Ensure proper documentation is maintained, centrally stored, and readily available for a third-party to verify contract terms are upheld.

**Department Response:** Agree. DCED will work with the City Manager's Office to revise performance metrics that align with City economic development goals and that can be tracked and verified by third parties. Two useful metrics have been BR&E visits and incentives facilitated which can be better tracked to show outcomes derived from these services. We will have REDI provide additional detail in regular reporting that will help with outcome verification. We will also store reporting documentation in a central location for readily available review.

**Recommendation 4:** Work with the Law Department to ensure contract language is updated and complies with applicable laws.

**Department Response:** Agree. DCED will work with Law and REDI to clarify how business development missions are paid for in the contract.