

CITY COUNCIL AUDIT COMMITTEE MEETING MINUTES

Tuesday, June 1, 2010

10:00 a.m.

Media Briefing Room

Committee Present:	Councilmember Philip Cortez, <i>District 4, Chair</i> Councilmember W. Reed Williams, <i>District 8</i> Stanley Blend, <i>Oppenheimer Blend Law Firm</i> Manuel Long, <i>Sol Schwartz, & Associates</i>
Committee Absent:	Councilmember Jennifer V. Ramos, <i>District 3,</i>
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Pat DiGiovanni, <i>Deputy City Manager</i> ; Peter Zanoni, <i>Assistant City Manager</i> ; Michael Bernard, <i>City Attorney</i> ; Leticia Vacek, <i>City Clerk</i> ; Park Pearson, <i>City Auditor</i> ; Barry Lipton, <i>Assistant City Auditor</i> ; Troy Elliot, <i>Finance Assistant Director</i> ; Brian Williams, <i>City Auditor's Office</i> , Kevin Barthold, <i>City Auditors Office</i> ; Mark Bigler, <i>City Auditor's Office</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Ray Rodriguez, <i>Assistant City Attorney</i> ; Brandon Smith, <i>Office of the City Clerk</i>
Others Present:	John Baugh, <i>Express News</i> ; Bobby Perez, <i>Shelton & Valadez</i>

CALL TO ORDER

Chairperson Cortez called the meeting to order.

I. Approval of minutes from the May 4, 2010 meeting

Councilmember Williams moved to approve the meeting minutes of May 4, 2010. Mr. Blend seconded the motion. Motion carried unanimously by those present.

II. Items Requiring Individual Briefing(s)

Presented by Park E. Pearson, City Auditor

A. Final reports to be discussed

i. Project AU09-016 Requested Audit of TxDOT Construction Projects – S. Flores 281/410

Kevin Barthold reported that the Texas Department of Transportation's (TxDOT) request for \$1.1 million for the work performed on the South Flores Street Project was valid. He stated that payment had been made and that the project had been closed.

Mr. Barthold also reported that \$50,000 in potential charges had not yet been billed to the 281/410 Project. He stated that \$195,987 was in the City's project escrow account with TxDOT

and that charges would reduce the escrow account when billed. He noted that additional charges may be incurred as TxDOT finalizes the project and that the City was entitled to receive the remaining escrow funds subsequent to TxDOT finalizing the project.

ii. Project AU09-009 Audit of Information Technology Services Department Information Security Program

Mark Bigler reported that the Information Technology Services Department (ITSD) Management had implemented an entity-wide Information Security Program that contained all key security elements as recommended by the Government Accountability Office's (GAO) Federal Information Systems Control Audit Manual (FISCAM). He stated that the program was in the early stages and that certain internal controls had either not yet been developed or have been developed but not fully implemented. Subsequent to the review observation, the following recommendations were provided to ITSD Management:

- Complete, document and implement its plan for the IT Security Program
- Work with City Management to obtain approval to fill vacant IT Security positions including the Chief Information Security Officer (CISO) position
- Work with Human Resources (HR) to develop a process that will ensure ITSD is notified of employee status changes
- Implement an ongoing security awareness program that includes security training for all IT users
- Update the BC/DR plan to reflect current conditions and staff

In response to Councilmember Williams, Mr. Barthold clarified that the ITSD's Information Security Program was slightly behind schedule. He indicated that the individual that initiated the program has been acting as the Chief Information Security Officer and that six administrative directives relative to information security had been issued, six were issued during the audit, and there are eleven ADs to be drafted.

Richard Varn reported that core information technology security policies date back to the 1970's and that five additional policies had been developed with several policies pending. He stated that at the current phase, staff was ensuring policies match an audit and security regimens. He noted \$1 million in investments in information technology security had been identified in this year's Capital Program and that staff was recommending \$2 million in investments for next year. Additionally, he mentioned that a Strategic Planning position had been filled to develop a strategic plan for security and that and that an additional position had been identified to join the IT Security Team.

Mr. Blend asked of an employee awareness program. Mr. Varn indicated that staff has worked with Human Resources an acquired and open-source learning management system to deploy a training program for 12,000 employees. He stated that the system the City partnered with the University of Texas San Antonio (UTSA) for content and that the system was ready for implementation.

In response to Councilmember Williams, Mr. Varn stated that staff was engaging in a risk management assessment with City Departments to identify appropriate security levels. He

explained that the City of San Antonio is a public information organization that provides information open and freely to the public. He noted that staff was working to ensure the appropriate security level matches the security need.

iii. Project AU09-014F2 Follow-Up Audit of the Solid Waste Management Department Timekeeping Processes

Brian Williams reported that the objective of the audit was to determine if critical recommendations had been implemented. He concluded that the Solid Waste Department was sufficiently implementing or working toward implementation of safety and timekeeping recommendations. He reported that the following actions had been taken:

- ✦ Expanded safety program with additional staff
- ✦ Included safety as a component of incentive pay
- ✦ Implemented formal policies and procedures for their timekeeping processes
- ✦ Developed a process for reviewing, approving, and auditing timekeeping data and overtime
- ✦ Currently working to implement an integrated timekeeping system

He also reported that supervisors were not consistently documenting approvals or audits after payroll had been issued and that a cost analysis had not been conducted after implementation of the new Incentive-pay Program System. He noted that since the conclusion of the audit, a cost benefit analysis has been conducted and identified a savings of \$500,000 projected for 2011.

Councilmember Williams asked of safety record maintenance. David McCary reported that Risk Management tracked all accidents and injuries and determined the cause. He stated that staff was working to match that data with OSHA standards as part of the Solid Waste Management Departments Safety Plan. He clarified that there had been no accidents related to the automated collection routes but that there had been in other non-automated divisions within the department. Ms. Sculley explained that Risk Management was a division of Human Resources and that they maintain Solid Waste safety records. She stated that a copy of Solid Waste records would be forwarded to Councilmember Williams and the Committee for review.

Chairman Cortez asked of the Timekeeping System. Mr. McCary stated that Solid Waste Department has implemented a thumb-print recording system directly connected to SAP. He noted that the system was working well and that Solid Waste was one of three City Departments utilizing the system.

Councilmember Williams moved to approve following reports:

- i. Project AU09-016 Requested Audit of TxDOT Construction Projects – S. Flores 281/410**
- ii. Project AU09-009 Audit of Information Technology Services Department Information Security Program**
- iii. Project AU09-014F2 Follow-Up Audit of the Solid Waste Management Department Timekeeping Processes**

Mr. Blend seconded the motion. Motion carried unanimously by those present.

B. Audit Plan Status Update

i. Status Report on the FY 2010 Audit Plan

Barry Lipton provided a status update on the FY 2010 Audit Plan – June 1, 2010. He reported that the Fire/Payroll Audit (AU10-004) entrance conference was held May 18, 2010. He also reported that an entrance conference was scheduled for the Towing Services Contract (AU10-015) on June 10, 2010. Chairman Cortez asked of any previous Towing Services Contract audits. Mr. Lipton indicated that former City Auditor Pat Majors conducted a comprehensive audit in 2006 and that the City Manager requested an audit of select aspects related to towing in 2008. He noted that the most recent request was a part of the Annual Audit Plan to review contract compliance. In response to Chairman Cortez, Ms. Sculley stated that the Police Chief's Office was managing the Towing Services Contract and that the audit request was from the Public Safety Council Committee Chairman John Clamp. Mr. Lipton also reported that relating to Time Warner; they are scheduled to go to trial on June 10, 2010 and that the City was scheduled to be deposed today by their attorneys. He noted that staff was in the final stages of field work and had received all requested documents from Grande Communications.

As previously requested by the Audit Committee, Mr. Lipton provided an alternate view of the FY 2010 Audit Plan. The Budgeted vs. the Actual Hours are noted for each audit as 5/31/2010. The report also shows each audit; the planned timeline for each and the actual timeline. The report also denotes "not yet final" audits. Councilmember Williams stated that he was pleased with the report and Chairman Cortez concurred.

Mr. Long asked of an engagement letter regarding a City Department. Mr. Lipton explained that an engagement letter is generally sent to the department 30 days prior to an audit. He stated that the letter provides the objective of the audit; requests a point of contact; and a suggested timeframe for an entrance conference. He noted that staff accommodates the audit based on the information provided by the Director or point-of-contact. Ms. Sculley added that the engagement letter also contains a scope of the audit to allow for preparation.

Mr. Long requested that staff provide a copy of an engagement letter at the next meeting. Mr. Lipton stated that he would forward an electronic copy to the Committee.

III. Executive Session

No items addressed.

IV. Consideration of items for future meetings

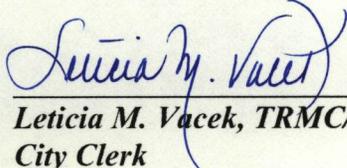
A. Next Meeting Date: August 3, 2010

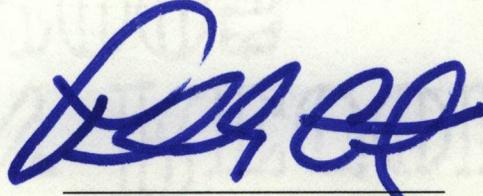
Chairman Cortez stated that the next meeting was scheduled for August 3, 2010.

V. Adjourn

There being no further discussion, the meeting was adjourned at 11:00 a.m.

ATTEST:


Leticia M. Vacek, TRMC/CMC
City Clerk


Philip Cortez, Chairman