

# AUDIT COUNCIL COMMITTEE MEETING MINUTES

TUESDAY, JUNE 5, 2012  
2:00 PM  
MEDIA BRIEFING ROOM

Committee Present:	Council Member W. Reed Williams, <i>District 8, Chair</i> Council Member Ivy R. Taylor, <i>District 2</i> Council Member Rey Saldaña, <i>District 4</i> Citizen Member Stephen S. Penley Citizen Member Donald R. Crews
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Leticia Vacek, <i>City Clerk</i> ; Michael Bernard, <i>City Attorney</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Troy Elliott, <i>Finance Director</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Melanie Seal, <i>Assistant Finance Director</i> , Mark Bigler, <i>Audit Manager</i> ; Brian Williams, <i>Audit Manager</i> , Andre DeLeon, <i>Audit Manager</i> ; Christine Rutherford-Stuart, <i>Assistant Director, Metro Health</i> ; Monica Hernandez, <i>Assistant City Attorney</i> ; Virginia Cobarrubias, <i>Asst. to Director Metro Health</i> ;
Also Present:	Christopher Cardona, <i>Partner, Schrivel, Cardona &amp; Carter, PSC</i> ; Carmen C. Garcia, <i>CPA, President &amp; CEO, C.C. Garcia &amp; Company, P.C.</i> ; Teresa Britts, <i>Partner, Britts &amp; Assoc.</i> ; Santos Fraga, <i>Partner, Padgett, Statemann &amp; Co, LLP</i> ; Robert J. Williams; <i>Owner, Robert J. Williams CPA.</i>

## CALL TO ORDER

Chairman Williams called the meeting to order.

### I. Approval of minutes from the April 3, 2012 Meeting

Committee Member Penley moved to approve the meeting minutes of April 3, 2012. Council Member Taylor seconded the motion. Motion carried unanimously by those present.

### II. Final reports to be discussed

#### a. Project No. AU12-002 Audit of Animal Care Services Revenues and Donations

Kevin Barthold reported that the objective of the audit was to determine if Animal Care Services (ACS) was adequately managing and accounting for the revenue and donations it received. He stated that ACS Management had not implemented controls to manage and account for donations received and controls for earned revenues needed improvement. While revenue and deposits were properly posted and on-site cash balances were accurate, he noted the following Audit conclusions to ACS Management: (a) In compliance with properly recording the daily revenue entry in SAP; (b) In compliance with cash register counted balanced without error, (c) Update

policies and procedures in accordance with Administrative Directive 8.1 and train staff accordingly. Policies and procedures should be reviewed on an annual basis and staff training performed when changes are made. In addition, ACS management should perform periodic quality assurance reviews to determine staff compliance. (d) Need to train staff to comply with Administrative Directive 8.1 Cash handling and internal ACS policies and procedures. Additionally, the Director of ACS should create and maintain a list of authorized approvers for refund transactions; (e) Need to evaluate and formalize an operational agreement with FACS; (f) Need to develop and implement policies and procedures for expenditures of donated funds; (g) Should, in coordination with ITSD, determine the feasibility of an automatic interface between Chameleon and SAP and implement such if feasible; (h) Correctly update all fees in Chameleon Tables and properly maintain going forward; (i) The Director of ACS should properly assign the general ledger accounts to all item codes in Chameleon and delete unused item codes; (j) Monitor account receivables and collection efforts for Bexar County payments. He added that ACS concurred with said recommendations and had developed a positive corrective action plan.

Joe Angelo agreed with the findings and said that all had been completed except for recommendations e, f and i.

Councilman Saldaña entered the meeting at this time.

In response to Committee Member Stephen Penley, Mr. Walsh responded that the budget is total expense and the revenue goes into the General Fund.

Councilmember Taylor asked if the donations were part of the budget. Ms. Sculley replied they were not. Councilmember Taylor asked if Friends of Animal Care Services (FACS) were going to continue to raise funds. Mr. Angelo responded that FACS was not the official fundraising arm.

Councilmember Taylor asked what the next step was for the Chameleon System. Mr. Angelo responded that it was going to be part of the business case where SAP is not currently utilized. Mr. Angelo noted that many cities use Petpoint and that they would take a look at several other communities.

Committee Member Penley moved to accept the report as presented. Councilmember Saldaña seconded the motion. The motion carried unanimously.

#### **b. Project No. AU11-004 Audit of Health Department WIC Program Grant**

Brian Williams reported that the objective of the Health Department WIC Program audit was to determine if the grant was administered in accordance to Federal, State and Local requirements. He stated that overall, Metro Health was administering the WIC grant in accordance to Federal, State and Local requirements. He noted that that they had determined that grant participants were eligible and staff adhered to State Certification requirements. In addition, grant expenditures were reasonable, accurately recorded, and had appropriate document support. He added that the request for reimbursements were submitted accurately, timely and with the appropriate information. He noted the following recommendations: (a) Ensure that formal internal policies and procedures are developed and maintained to manage the fiscal aspect of the WIC Grant process; (b) Ensure WIC Staff fully complies with AD 4.37 Light Duty Program; (c) Ensure that WIC Staff properly document the annual inventory conducted for grant related assets in accordance to AD 8.10-Financial Management for Grants; (d) Of the Clinics tested; it was

determined that staff followed grant requirements for appropriate eligibility and certifications, so no recommendation needed; (e) Ensure WIC Clinics Supervisors properly monitor documentation requirements for staff attendance and follow consistent procedures for time recording. Also, consult with Finance and ITSD to attempt an earlier implementation of the Kaba Timekeeping System; (f) Ensure all WIC Staff follow established EBT Card reconciliation procedures; (g) WIC Staff were properly managing grant expenditures so there is no recommendation needed; (h) The Director of Finance should ensure that Finance, in coordination with City Departments, manage the locking and opening of grants after the close out period.

Mr. Williams added that Metro Health and Finance Management Staff concurred with the recommendations and had developed a positive correction plan.

Councilmember Saldaña moved to accept the report as presented. Councilmember Taylor seconded the motion. The motion carried unanimously.

**c. Project No. AU12-018F02 Follow-up Audit of Downtown Operations Riverwalk Leases**

Brian Williams reported that the objective was to determine if prior audit recommendations were successfully implemented and working as intended. He stated that management had implemented all four recommendations identified in the previous audit report and that Downtown Operations (DTOPS) obtained Lessee Insurance Certificates and verified Compliance with Lease Requirements, and also proactively Manage Lease Renewals in a timely manner.

Committee Member Penley moved to accept the report as presented. Councilmember Taylor seconded the motion. The motion carried unanimously.

**III. Discussion and Recommendation of the External Audit Firm**

Troy Elliott reported that staff had provided a briefing on January 10<sup>th</sup> and February 7<sup>th</sup> regarding the requirements and process related to said item. It was noted that the Request for Proposals (RFP) is a high profile contract based on its value, community interest and technical nature. The RFP was released on February 27<sup>th</sup> with proposals received by March 30<sup>th</sup> 2012. The contract that was released was structured to include a Prime Contractor with mandatory sub-contractor participation as follows: Five (5) year maximum term for fiscal years 2012 to 2016 comprised of a three (3) year contract with two (2) one-year extensions. He provided an overview of the scope of services, staff role/audit assistance, and evaluation criteria for the RFP Contract.

He reported that the City received four proposals from the firms of BKD LLP (BKD), CliftonLarsonAllen LLP (CLA), Grant Thornton LLP (GT), and Padgett Stratemann & Company, LLP (PS&Co.). The evaluation team selected to review the proposals and score the respondents consisted of the Chief Financial Officer, Director and Assistant Director of Finance, City Auditor and Financial Reporting Manager. Firm presentations were held on May 15, 2012 and the evaluation team scored the proposals on May 24, 2012.

The audit firm of PS&Co. received the highest overall score upon completion of the evaluation process and is hereby recommended by staff. PS&Co.'s Team includes a 50% subcontractor participation level utilizing Britts & Associates, LLP (Britts) at 18%; C.C. Garcia & Company, P.C. (CCG) at 14%; Robert J. Williams, CPA (RJW) at 9%; and Schriver, Carmona & Carrera, PLLC (SCC) at 9%.

Councilmember Taylor moved to accept the staff recommendation of PS&Co. and that said item be presented to full Council for approval. Councilmember Saldaña seconded the motion. The motion carried unanimously.

#### **IV. Audit Plan Status Update**

##### **a. Proposed Changes to FY 2012 Audit Plan**

Mr. Barthold reported that the objective was to determine if monitoring of Community Development Block Grant (CDBG) funding was appropriate and accurate. He reported that the city and Housing and Urban Development (HUD) had entered into a Memorandum of Understanding to provide technical assistance regarding the City's current practices on managing, monitoring, and implementing the CDBG and HOME programs. He added that an Internal Audit at this time would be a duplication of effort. He mentioned that Customer Service 3-1-1 CRM System would be added to the 2012 Plan with the objective to determine if customer service request workflow was effective and if results were accurately being monitored and reported.

Committee Member Donald Crews moved to accept the Auditor's changes to the 2012 Audit Plan. Committee Member Penley seconded the motion. The motion carried unanimously.

#### **V. FY 2013 Audit Plan**

Kevin Barthold reported that the process for the 2013 Audit Plan had begun and it would be brought before the committee in August for review and approval by full Council in September, 2012.

#### **VI. Executive Session**

Chairman Williams recessed the meeting into Executive Session at 2:38 pm and reconvened the meeting at 2:55 pm. He announced that no action had been taken.

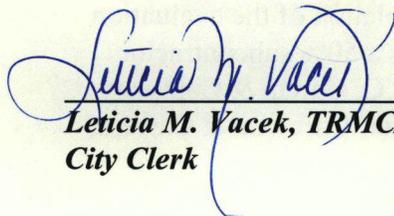
#### **VII. Consideration of items for future meetings**

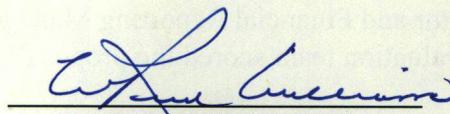
It was noted that the next Audit Meeting was scheduled for August 7, 2012.

#### **VIII. Adjourn**

There being no further discussion, Chairman Williams adjourned the meeting at 3:10 pm.

**ATTEST:**

  
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Leticia M. Vacek, TRMC/MMC  
City Clerk

  
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W. Reed Williams, Chair