

**AUDIT COUNCIL COMMITTEE MEETING
MINUTES
TUESDAY, MARCH 5, 2013
2:00 PM
MEDIA BRIEFING ROOM**

Committee Present:	Council Member W. Reed Williams, <i>District 8, Chair</i> Citizen Member Donald R. Crews Citizen Member Stephen S. Penley
Committee Absent:	Council Member Ivy R. Taylor, <i>District 2</i> Council Member Rey Saldaña, <i>District 4</i>
Staff Present:	Erik Walsh, <i>Deputy City Manager</i> ; Chief William McManus, <i>SAPD</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> ; John Rodriguez, <i>Asst. Director, ITSD</i> ; Brian K. Williams, <i>Audit Manager</i> ; Mark Bigler, <i>Audit Manager</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Cynthia Hicks, <i>Auditor</i> ; Matt Howard, <i>Auditor</i> ; Troy Elliot, <i>Finance Director</i> ; Melanie Seale, <i>Asst. Director, Finance</i> ; Andre DeLeon, <i>Controller</i> ; Mary Hammer, <i>Interim Director, Sustainability</i> ; Sandra Paiz, <i>Audit Manager</i> ; Hugh Miller, <i>Chief Technology Officer, ITSD</i> ; Edward Belmares, <i>Assistant City Manager</i> ; Patsy Boozer, <i>Chief Information Security Officer, ITSD</i> ; Ellen Erenbaum, <i>Assistant Director of Aviation</i> ; Lianna Patterson, <i>Executive Assistant, City Managers Office</i> .
Also Present:	Santos Fraga, <i>Padgett Stratemann</i> ; Mike O'Brien, <i>Padgett Stratemann</i> ; Carmen Garcia, <i>C.C Garcia & Co., PC</i> ; Theresa Y. Britts, <i>Britts & Associates, LLP</i> ; Bob Williams, <i>Robert J. Williams, CPA</i> ; Christopher Carmona, <i>Schraver, Carmona & Carrera, PLLC</i> ; Marc Sewell, <i>Padgett Stratemann</i>

CALL TO ORDER

Chairman Williams called the meeting to order.

I. Approval of minutes from the February 5, 2013 Meeting

Committee Member Penley moved to forward the meeting minutes of February 5, 2013 to the Audit Committee meeting of April 2, 2013. Committee Member Crews seconded the motion. Motion carried unanimously by those present.

II. Results of the FY 2012 External Financial Audit and Presentation of Related Reports

Mr. Troy Elliott reported that Padgett, Stratemann & Company (PS&Co.) completed the external financial audit for the City's 2012 Fiscal Year on February 28, 2013. He added that the City is required to engage an independent CPA Firm to conduct an annual audit of the City's financial records and accounts. Additionally, the City publishes a Comprehensive Annual Financial Report (CAFR) which reports the city's financial position, results of operations and the liquidity of its various funds. He added that the CAFR is provided to rating agencies, bondholders and is

available to the general public. He also referenced the Management Letter which is provided by PS&Co. to the City Council and City Management that focuses on internal control matters discovered during the audit of the city's financial statements.

Mr. Elliott introduced Mr. Santos Fraga with PS&Co.

Mr. Fraga noted that there were no difficulties with the Audit Process and that the City has a strong Finance and Accounting group. Mr. Fraga reported that unqualified opinions were issued for the CAFR and Single Audit Programs and of the 17 major programs tested only one program had two instances of non-compliance.

Mr. Fraga stated that there was a significant deficiency in the City's recording of Net Post-Employment Benefits other than Pension (OPEB) obligations of the Fire and Police Retiree Health Care Fund. He noted that they recommended the City continue to work with the Fund to strengthen the communication and sharing of information to ensure OPEB information is obtained timely in order for the City to record its net OPEB obligation annually. Mr. Fraga introduced Mr. Marc Sewell with PS&Co.

Mr. Sewell reported that there was a significant deficiency with the OPEB Fire and Police Retiree Health Care Fund and Control Deficiencies with the Airport Parking Revenue Reconciliation and IT User Access approval and removal.

Mr. Sewell stated that the Airport Parking Revenue reconciliation deficiency was in the control process. Regarding the IT User Access approval and removal; the terminated employee still had access.

Mr. Penley asked if OPEB was a liability. Ben Gorzell replied yes.

Mr. Elliott reported that the significant deficiency with OPEB had been corrected. He added that corrective action were now in place.

Councilmember Williams thanked Messrs. Fraga and Sewell for their report. No action was necessary.

III. Final reports to be discussed

a. Project No. AU12-017 Audit of the San Antonio Police Department, Ground Transportation

Brian Williams reported that at the request of management and as part of the annual Audit Plan approved by City Council, an Audit of the San Antonio Police Department (SAPD) Ground Transportation Unit (GTU) was conducted. The objective of the audit was to determine if SAPD was adequately managing its ground transportation permit fees and inspection program.

Mr. Williams noted that permits are issued for transportation companies, individual drivers, and individual vehicles. Prior to issuance, the permit holder must meet certain requirements such as background checks for drivers and mechanical safety inspections for vehicles.

He reported that the conclusion to the audit was that SAPD was not adequately managing its ground transportation permit fees and inspection program. He noted that they had identified

multiple control deficiencies related to GTU's fiscal management, driver and vehicle permitting, safety or staff, information systems, and efficiency of operations. The deficiencies were:

GTU Fiscal Management

- GTU did not have sufficient controls in place to properly track its revenue or verify its appropriateness.
- GTU did not consistently assess late fees.
- GTU did not collect horse carriage permit fees in accordance with City Code resulting in \$30,000 of lost revenue for 2011 and 2012.
- GTU did not maintain sufficient documentation of permit holders' compliance with City Code liability requirements.
- GTU did not properly track and monitor the inventory of vehicle permit decals.

Driver and Vehicle Permitting

- GTU did not maintain sufficient documentation of the driver screening process to ensure that drivers are properly permitted in accordance with City Code requirements.
- GTU vehicle and driver records are inconsistent with information provided by permit holders.
- GTU enforcement activity was insufficient to ensure drivers and vehicles are in compliance with City Code.

Staff Safety

- GTU facilities and operations did not have appropriate safety components in place to protect staff and assets.

GTU Information System

- The GTU system did not provide functionality to meet GTU user needs for an efficient tool to manage and perform permitting, inspections, enforcement and fee collections.
- User access to the GTU system is not properly restricted.

Operational Efficiency

- GTU did not have necessary computer equipment and system access to perform its duties in an efficient and effective manner.
- GTU lacked operational performance measures
- GTU's use of City Code as its policy and procedures manual is not appropriate for operational efficiency.

Brian Williams stated that SAPD Management concurred with the recommendations and developed a positive corrective action plan. Chief McManus noted that staff was working with a home grown system that was not robust to provide for the deficiencies. Mr. Erik Walsh added that Chapter 33 has been revised extensively. Specifically, he noted that related to horse carriages and the number on the street can be addressed by the Chief of Police should they need to be moved. Mr. Crews asked if staff was upgrading their IT System. Chief McManus stated yes once the upgrade is complete; the system will be tied to the new Point of Sale System. Chairman Williams

asked how much revenue; if any, had not been collected. Mr. Barthold replied that \$30,000 had not been collected as a result of issuing temporary permits. Chief McManus stated that temporary permits were granted for a two year period; thus foregoing \$30,000 in potential revenue. Mr. Crews pointed out that it is an important Risk Management function that drivers hold the proper permits. It was stated that staff encountered issues with proper identification initially. Chief McManus stated those issues were corrected and under control now. Mr. Penley asked if they were properly staffed. It was reported that since, staffing has been shifted and are now properly staffed. Chairman Williams requested a follow-up audit in August to ensure all items are under control.

Mr. Penley moved to have a follow-up Audit on AU12-017 in August 2013. Mr. Crews seconded the motion. The motion carried unanimously by those present.

b. Project No. AU12-009 Audit of Information Technology Services Department, Access Controls.

Said item was discussed in Executive Session.

IV. Executive Session

The Audit Committee convened into executive session at 2:44 pm to deliberate the security audit pertaining to Information Technology Services Department, Access Controls, pursuant to the Texas Government Code Section 551.076, Deliberation regarding Security Devices or Security Audits.

The Audit Committee reconvened in open session at 3:13 pm. Chairman Williams reported that no action was taken.

V. FY 2013 Audit Plan Status Update

Mr. Barthold reported that 12 Audits had been issued to date and seven additional Audits were in process and in the reporting stage.

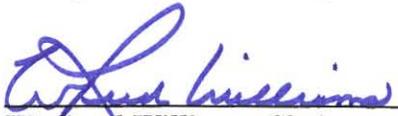
VI. Consideration of items for future meetings

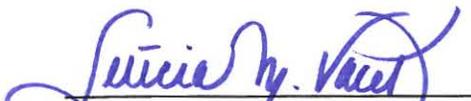
It was reported that the next Audit Committee Meeting was scheduled for April 2, 2013 at 2:00 pm.

VII. Adjourn

There being no further discussion, Chairman Williams adjourned the meeting at 3:20 pm.

ATTEST:


W. Reed Williams, Chairman


Leticia M. Vacek, TRMC/MMC
City Clerk