

**AUDIT COUNCIL COMMITTEE MEETING
MINUTES**

**TUESDAY, SEPTEMBER 11, 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 Donald R. Crews
Committee Absent:	Citizen Member Stephen S. Penley
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> ; Troy Elliott, <i>Finance Director</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Melanie Seal, <i>Assistant Finance Director</i> ;; Brian Williams, Andre DeLeon, <i>Controller</i> ; Christine; Monica Hernandez, <i>Assistant City Attorney</i> ; Lianna Patterson, <i>CMO</i> ; Mark Bigler, <i>Audit Manager</i> ; Brian Williams, <i>Audit Manager</i> ; Sandra Paiz, <i>Audit Manager</i> ; Buddy Vargas, <i>Auditor IV</i>
Also Present:	Santos Fraga, Carmen Garcia, Marc Sewell, Mike King, Mike O'Brien, David Perez, and Christopher Cardona, <i>PS&Co</i> ; Bob Williams, <i>RJWCPA</i>

CALL TO ORDER

Chairman Williams called the meeting to order.

I. Approval of minutes from the August 7, 2012 Meeting

Committee Member Crews moved to approve the meeting minutes of August 7, 2012. Council Member Saldaña seconded the motion. Motion carried unanimously by those present.

II. Final reports to be discussed

a. Project No. AU12-019 Audit Risk Management Division, Human Resources Department Liability Insurance Fund

Kevin Barthold reported that the purpose of the audit was to determine if the Expenditures from the Liability Insurance Fund were properly authorized and supported by those present.

He stated the expenditures from the Liability Insurance Fund were properly authorized and supported and that the Liability Insurance Fund was adequately funded. He noted that the communication of claims activity to City Council could be improved. He stated that the City Ordinance related to Council Approval of Court-Ordered Judgments did not reflect current practice.

Mr. Barthold stated that based on the audit, they recommended that the Human Resources Director, in coordination with the City Attorney, amend the approval process for payments mandated by court

order (i.e. court ordered judgments). He further recommended that the Director of Human Resources provide City Council with a status of claim activity such as summary reports of the type and number of claims as well as pending litigated claims, on a regular basis. He reported that Management agreed with their recommendations and had developed a positive action plan.

A brief discussion followed related to the city being self insured and it was noted that the fund is adequately funded.

Committee Member Crews moved to accept the audit report as presented. Council Member Taylor seconded the motion. The motion carried unanimously by those present.

III. Required Communications with the Audit Committee for the FY 2012 External Independent Financial Audit

Troy Elliott reported that an ordinance was adopted executing an audit services contract with Padgett Stratemann & Co., LLP. (PS&Co) to provide independent audit services for fiscal years ending September 30, 2012; 2013 and 2014. Mr. Elliott requested that the Committee place an item on the Audit Committee Agenda in September to present and discuss the required communications between PS&Co and the Committee for the FY 2012 External Audit.

The communications by PS&Co to the Audit Committee include:

1. The auditor's responsibility under generally accepted accounting standards (GAAS)
2. An overview of the planned scope and timing for the Fiscal Year 2012 Audit
3. Significant findings from the Audit
4. Inquiry of the Audit Committee as to their knowledge of fraud, suspicion of fraud, and views of fraud risk

Santos Fraga reported that the focus areas of the city financial audit are: 1) Tax Revenues; 2) Intergovernmental Revenues; 3) Revenues from Utilities; 4) Charges for Services; 5) Treasury: Investments and Debt Management; 6) Purchasing and Accounts Payable unction; 7) Capital Assets (Construction in progress); 8) Payroll and related Liabilities; 9) Risk Financing; 10) Other Long Term Liabilities; and 11) Commitments and Contingencies.

A brief discussion ensued related to what would be audited, compliance, and the timeline.

There was no action required for said item.

IV. FY 2012 Audit Plan Status Update

Kevin Barthold introduced Sandi Paiz as a new Audit Manager. He provided an update on the FY 2012 Audit Plan. He reported that 20 audit reports were issued and will be at 22 by year-end.

There was no action required for said item.

V. Proposed FY 2013 Annual Audit Plan for Approval and Submission to City Council

Kevin Barthold reported that 28 audits are being proposed. He outlined the FY 2013 Annual Audit Plan and stated that it would be considered at the September 13, 2012 City Council Meeting.

Council Member Saldaña moved to accept the plan as presented and submit to full Council on September 13, 2012. Committee Member Crews seconded the motion. The motion carried unanimously by those present.

VI. Executive Session

There was no Executive Session.

I. Consideration of items for future meetings

It was noted that the next Audit Meeting was scheduled on October 2, 2012 at 2:00 pm.

II. Adjourn

There being no further discussion, Chairman Williams adjourned the meeting at 2:40 pm.

ATTEST:



Leticia M. Vacek, TRMC/MMC
City Clerk



W. Reed Williams, Chairman