

CITY COUNCIL AUDIT COMMITTEE MEETING MINUTES

TUESDAY, NOVEMBER 15, 2010

10:00 AM

MEDIA BRIEFING CENTER, CITY HALL

Committee Present:	Councilmember Jennifer V. Ramos, <i>District 3</i> Councilmember W. Reed Williams, <i>District 8</i> Stanley Blend, <i>Oppenheimer Blend Law Firm</i>
Committee Absent:	Councilmember Philip A. Cortez, <i>District 4, Chair</i> Manuel Long, <i>Sol Schwartz, & Associates</i>
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Sharon De La Garza, <i>Assistant City Manager</i> ; Michael Bernard, <i>City Attorney</i> ; Leticia Vacek, <i>City Clerk</i> ; Park Pearson, <i>City Auditor</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Bernadette McKay, <i>Assistant City Attorney</i> ; Barry Lipton, <i>Deputy City Auditor</i> ; Troy Elliot, <i>Assistant Finance Director</i> ; Kevin Barthold, <i>Audit Manager</i> ; Mark Bigler, <i>Audit Manager</i> ; Brian Williams, <i>Audit Manager</i> ; Tanya Rodriguez, <i>Auditor</i>
Others Present:	Angela Dunlap, <i>Grant Thornton, LLP</i> ; Theresa Britts, <i>Britts & Associates</i> ; Robert Williams, <i>RJWCPA</i> ; Bobby Perez, <i>Shelton & Valadez</i>

CALL TO ORDER

Vice-Chair Ramos called the meeting to order.

I. Approval of minutes from the October 5, 2010 meeting

Councilmember Williams moved to approve the meeting minutes of October 5, 2010. Mr. Blend seconded the motion. Motion carried unanimously by those present.

II. Approval of the Fiscal Year 2011 Draft Internal Audit Plan for submission to the City Council

Presented by Park E. Pearson, City Auditor

Park Pearson reported that the Office of the City Auditor obtained input from various departments as well as the City Council. Kevin Barthold presented the carry-over audits that were still in process as well as the hours to complete the audits. He stated that they were covering most of the City with the audit and noted that their performance metrics were also included. Mr. Blend thanked the staff for visiting with him and made note of the 16 audits for 2011 as well as the carry-over and asked if that was realistic. Barry Lipton reported that six reports are currently in draft form. Mr. Pearson added that the Audit Plan was scheduled for Council consideration on Thursday. Councilmember Williams noted that he expected to see more audits on the Information Technologies Services, where there was exposure. He stated that

he was concerned about working up from the bottom and noted that it was still in the bottom area. He added that this plan was light on ITSD. Mr. Lipton responded that with regard to the applications; (functional audits) they are conducting an audit on the Fire Department IT Payroll. He stated that on the functional audits, they are looking at IT. Councilmember Williams noted the 25,000 to 26,000 hours. It was noted by Mr. Barthold that the carry over hours are as of September 30, 2010. He stated that they were looking at the fiscal year and were still behind as far as adoption of the audit plan. Councilmember Williams asked how many did were used in 2010. Mr. Barthold replied that he did not have the exact number but stated approximately 22,000 hours. Councilmember Williams stated that his concern was the planning for the 2011 Audits and that carry-overs would pile up. Mr. Barthold stated that he would get that information to the Committee. Councilmember Williams added that the comprehensive senior programs would be reviewed and asked if there was anything in that area. Mr. Barthold replied that there were some follow-ups that were sub-components. Mr. Lipton added that a draft of one of the Senior Programs would be completed today and that another draft would be completed soon. Councilmember Williams stated to the audit should be adopted during the same time as the city budget. Mr. Lipton stated that standards are at 78% of available time for available auditing while currently getting people trained; as well as teaching advanced audit techniques. Councilmember Williams asked if some audits could be contracted out. Mr. Lipton replied that there was no trouble training staff; but as far as contracting out; that would be up to the Audit Committee. Councilmember Williams stated that there were many firms available. Councilmember Ramos requested that staff find out what other cities are doing as far as contracting audits out.

Councilmember Williams moved to forward proposed audit plan to the full Council for consideration. Mr. Blend seconded the motion. Motion carried unanimously by those present.

III. FY 2010 External Audit and Required Communication

Presented by Ben Gorzell, Chief Financial Officer, and Angela Dunlap, Grant Thornton, LLP

Ben Gorzell stated that Angela Dunlap would present the FY 2010 External Audit. Ms. Dunlap touched on two items: 1) Perform an audit that provides reasonable, not absolute assurance; and 2) Form and express an opinion about whether the financial statements prepared by management with your oversight: are materially correct, are fairly presented and conform to generally accepted accounting principles, and lastly, communicate any specific matters to staff.

She also noted the scope and timing. She reviewed the audit timeline and stated that they would begin in January, 2011 with completion in February, 2011 and would be back in March to present the results to the Audit Committee. She highlighted key areas of focus and noted the programs that would be tested.

Councilmember Williams asked how an organization as the City creates intangible assets. Ms. Dunlap referenced easements and rights-of-way were a couple o examples. Councilmember Williams asked from a standpoint of fraud; what is looked at and to what level. Ms. Dunlap replied no specifics but the cash receipting area. Councilmember Williams asked if there was an office that could be contacted to report fraud. Ms. Dunlap responded that the Office of Municipal Integrity could be contacted. She also clarified that there was no fraud last year.

Mr. Blend asked if cash handling was reviewed specifically. Ms. Dunlap replied that a risk assessment of those areas with cash receipting was reviewed. Sheryl Sculley also stated that she has asked that the City's Internal Audit Department on a regular basis.

Mr. Gorzell stated that the external audit contract had been extended twice and needed to bring forward an item to be considered as a major program. He added that there have been 10-13 major programs in the past. In the future, he stated that they are looking at 20-22 major programs, thus a different audit scope from the \$825,000 contract. The City was looking at a \$975,000 total amount, due to the major programs added.

Councilmember Williams requested a detail of past contract amounts and extensions. Mr. Gorzell reported that FY 2010 was at \$825,000 which was extended to 2010 with a request for an additional \$150,000. Councilmember Williams asked when staff would start the re-bidding of this contract being that there is change in scope. Mr. Blend stated that with his past experience; their bidding process was done every five years.

After a brief discussion, Councilmember Williams moved to forward an amount of \$150,000 addition to the current external auditing contract to the full Council for consideration. Mr. Blend seconded the motion. Motion carried unanimously by those present.

IV. Executive Session

No items addressed.

V. Consideration of items for future meetings

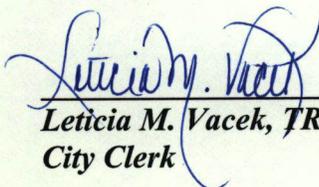
A. Next Meeting Date: December 7, 2010

Vice Chairman Ramos stated that the next meeting was scheduled for December 7, 2010.

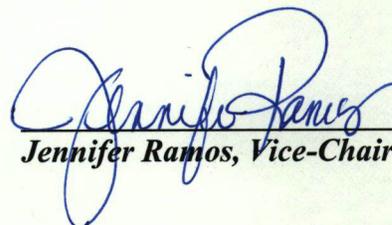
VI. Adjourn

There being no further discussion, the meeting was adjourned at 11:10 a.m.

ATTEST:



Leticia M. Vacek, TRMC/CMC
City Clerk



Jennifer Ramos, Vice-Chair