

# CITY COUNCIL AUDIT COMMITTEE MEETING MINUTES

Tuesday, August 3, 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>
Committee Absent:	Councilmember Jennifer V. Ramos, <i>District 3</i> Manuel Long, <i>Sol Schwartz, &amp; Associates</i>
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Peter Zaroni, <i>Assistant City Manager</i> ; Michael Bernard, <i>City Attorney</i> ; Leticia Vacek, <i>City Clerk</i> ; Park Pearson, <i>City Auditor</i> ; Elizabeth Braune, <i>Human Resources Director</i> ; Paula Stallcup, <i>Downtown Operations Director</i> ; Cindy Shoemakers, <i>Community Initiatives Interim Director</i> ; Barry Lipton, <i>Assistant City Auditor</i> ; Brian Williams, <i>City Auditor's Office</i> , Arlena Sones, <i>City Auditor's Office</i> ; Kevin Barthold, <i>City Auditor's Office</i> ; Mark Bigler, <i>City Auditor's Office</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Stephen Whitworth, <i>Assistant City Attorney</i> ; Brandon Smith, <i>Office of the City Clerk</i>

## CALL TO ORDER

Chairperson Cortez called the meeting to order.

### I. Approval of minutes from the June 1, 2010 meeting

Councilmember Williams moved to approve the meeting minutes of June 1, 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 AU09-013 Audit of Downtown Operations Department-River Walk Leases

Arlena Sones reported that the audit scope included the evaluation of the propriety of River Walk lease billings and payments from October 2007 to September 2009. She provided the following conclusions: 1) Lessees complied with lease terms and that City Management appropriately documented leases; 2) Appropriate reviews of lessee insurance coverage were not made; and 3) Lease renewals were not timely. Ms. Sones stated that staff recommended that Downtown

Operations work with Risk Management to ensure that leases contain appropriate insurance coverage types and amounts needed to protect the City's interests and to ensure that each business complies with the insurance requirements of the lease. Additionally, she noted staff's recommendation to begin the renewal process with sufficient lead-time to ensure timely execution of leases, and agree upon interim rent when a new lease is not negotiated prior to expiration of the existing lease.

Mr. Blend asked of the lessee insurance coverage. Ms. Sones replied that the issue was not communicated well between Downtown Operations and Risk Management. She stated that Risk Management was conducting high level review and not a comparison of the lease to the insurance policy. Mr. Blend noted the importance of ensuring that all River Walk Lessees had the appropriate insurance coverage. Mr. Blend also asked of the policy regarding the negotiation of expired leases. Paula Stallcup stated that staff was currently negotiating an expired lease and that the lessee was paying a rental amount set when the lease expired. She noted that the property was being surveyed for the appropriate square footage and appraisal. She added that review of insurance coverage had not been timely and that controls had been set in place to address the issue.

Councilmember Williams asked of any River Walk lease agreement restrictions. Ms. Stallcup replied that the standard lease agreement was for the restaurant's patio space. She stated that there was an entirely different permitting process for vendors other than restaurant patio. She also noted that there was no prohibition or permission regarding smoking in the standard lease agreement.

Mr. Blend moved to accept said audit. Councilmember Williams seconded the motion. Motion carried unanimously by those present.

**ii. AU10-013F01 Follow-up Audit of Department of Community Initiatives – Child Care Services**

Kevin Barthold reported that the Department of Community Initiatives (DCI) and Child Care Services (CCS) management and staff had implemented 12 of the 14 recommendations made in the original audit report. He stated that although significant improvements had been made toward addressing the remaining recommendations, appropriate control levels were not yet in place. Mr. Barthold provided the following recommendations:

- Staff records amount receivable from the Workforce Solutions Alamo when payments are made to childcare providers
- CCS update the recoupments master payment listing when the weekly recoupments payment report is received from DCI Fiscal
- CCS personnel monitor client payments on a timely basis, identify client who have missed payments, and notify the applicable caseworker to make client contact. If clients continue to miss payments, CCS should discontinue service per CCS policies and procedures.

Mr. Blend asked of the collection percentage on recoupments. It was reported that said collection was 60-70%. Peter Zanoni reported that DCI had redirected a staff position to specifically address recoupment issues.

Councilmember Williams moved to accept said audit. Mr. Blend seconded the motion. Motion carried unanimously by those present.

## **B. Audit Plan Status Update**

### **i. Status Report on FY 2010 Audit Plan**

Barry Lipton provided an overview of the FY 2010. Chairman Cortez asked if the Finance/Edwards Aquifer Protection Audit Report (AU10-002) would be ready prior to the November 2010 election. Mr. Lipton responded that the report would be ready in September 2010. Mr. Blend asked if the internal process regarding the documentation of fees was under review. It was reported that staff was reviewing the process of cash receipts and the issuance of permits. It was noted that documentation of fees was included in that process. Mr. Lipton reported that the trial regarding AU09-005 Finance/Revenue from Telecommunications – Time Warner Cable (TWC) had been moved from July to August at the request of TWC. Councilmember Williams asked of the impact of TWC Company split on said lawsuit. Michael Bernard stated that the TWC split had no impact on the lawsuit. He noted that audit was pursuant to state law, not a signed agreement. He explained that although TWC was operating under a State Franchise Agreement the City maintains the authority to audit the telecommunications provider.

Chairman Cortez asked of the FY 2010 audits that have not yet been started. Mr. Lipton stated that there were four audits that had not yet been started but scheduled to begin in the near future with a request for an entrance conference to begin in August.

Mr. Lipton also provided a rolling chart on the status of the FY 2010 Audits as of July 31, 2010. In response to Councilmember Williams, Mr. Lipton stated that AU10-003 Audit of Alarm Fees would be completed in August with a report in September. He noted that the audit should be completed within the budgeted hours.

### **ii. Status on FY 2011 Audit Plan**

Park Pearson reported that staff was in the planning process and would begin scheduling meetings with City Management and City Council Members. He noted the timeline of the end of the year for the completion of an Audit Plan for review to the Audit Committee. Councilmember Williams requested that the FY 2011 Audit Plan be presented to the Committee in time for City Council consideration prior to the end of the year. Chairman Cortez requested presentation of the FY 2011 Audit Plan to the Committee in November in time to forward to the full Council for consideration in December.

## **III. Executive Session**

No items addressed.

**IV. Consideration of items for future meetings**

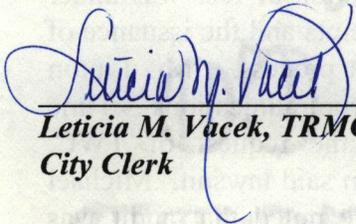
A. Next Meeting Date: September 7, 2010

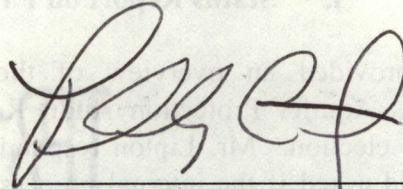
Chairman Cortez stated that the next meeting was scheduled for September 7, 2010.

**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**