

**AUDIT COUNCIL COMMITTEE MEETING  
MINUTES  
TUESDAY, MAY 22, 2014 HELD AT 11:00 AM  
MEDIA BRIEFING ROOM – CITY HALL**

Committee Present:	Council Member Ivy Taylor, <i>District 2, Chair</i> Council Member Ron Nirenberg, <i>District 8</i> Citizen Member Donald R. Crews Citizen Member Stephen S. Penley
Committee Absent:	Council Member Ray Lopez, <i>District 6</i>
Staff Present:	Ben Gorzell, <i>Chief Financial Officer</i> ; Edward Belmares, <i>Assistant City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Troy Elliott, <i>Finance Director</i> ; Hugh Miller, <i>ITSD Director</i> ; Dr. Thomas Schlenker, <i>Health Director</i> ; Jeff Coyle, <i>Intergovernmental Relations Director</i> ; Bob Murdoch, <i>Office of Military Affairs Director</i> ; Melinda L. Uriegas, <i>Assistant City Clerk</i> ; Dr. Nathan Vincent, <i>Assistant Health Director</i> ; Steve De La Haya, <i>Assistant CVB Director</i> ; Steve Clanton, <i>VP of Sales</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Lisa Biediger, <i>Assistant City Attorney</i> ; Ray Rodriguez, <i>Assistant City Attorney</i> ; Paul Fenstermacher, <i>Assistant to the Director for Health Operations</i> ; Frank Sherman, <i>Project Manager</i> ; Amy Cowley, <i>Department Fiscal Administrator</i> ; Sandy Paiz, <i>Audit Manager</i> ; Buddy Vargas, <i>Audit Manager</i> ; Lorenzo Garza, <i>Auditor</i> ; Maria Cristina Stavely, <i>Auditor</i> ; Christina Hicks, <i>Auditor</i> ; Michelle Garcia, <i>Auditor</i> ; Jesus Garza, <i>City Manager's Office</i> ; Rebecca De La Garza, <i>City Manager's Office</i> ; TJ Mayes, <i>City Council Aide</i> ; Torrie Bethany, <i>City Council Aide</i>

**CALL TO ORDER**

Chairperson Ivy Taylor called the meeting to order.

**I. Approval of Minutes from the April 22, 2014 Meeting**

Councilmember Nirenberg moved to approve the minutes of the April 22, 2014 Audit Council Committee Meeting. Committee Member Penley seconded the motion. Motion carried unanimously by those present.

**II. Final Reports to be Discussed**

**A. Project No. AU13-F03 – Health Follow-up Food Permit Fees and Revenues.**

Sandy Paiz provided background information on the Audit to include the Scope and Methodology. She noted that as part of the Follow-up Audit, the Auditor's Office determined that controls over the Food Service Permitting Process and collection of Food Permit Fees were not adequate.

Ms. Paiz reported that the following improvements were recommended for implementation:

- **Data inconsistencies between the Digital Health Department (DHD) and SAP Systems** – Data Reconciliations are being conducted between the two systems to identify data inconsistencies; however, the support document used to assist in the reconciliation effort was not accurate and work performed was not documented.

A Payment Exception report was implemented to identify payment data discrepancies between SAP and DHD. It could not determine if the report was an effective control due to the lack of documentation that would serve as support to show that exceptions were cleared.

To assist in ensuring that uncollectable fees were cleared in SAP, an automated control was implemented by setting an "out of business" permit status in DHD that was to automatically cancel the billing in SAP. The automated control was not working. Consequently, a mitigating control was that Fiscal has to manually verify that billings are cancelled in SAP. There was no support to ensure that the verification process was occurring.

- **Information System Controls** – A process was developed for granting and monitoring user access to DHD using role based permission groups, a user access authorization form, and quarterly reviews of user access. However, authorizations for access to DHD were not properly documented and user access was not properly monitored.
- **Contract Administration and Continuity of Operations** – Metro Health and ITSD developed a disaster recovery plan that includes a local version of the DHD software. Procedures for deploying the software are still in draft format and there is no control to validate/verify the completeness of back up data obtained from the software vendor.

A complete contract file for the software vendor was not maintained and a contract monitor has not been assigned to ensure compliance with the City's *Procurement Policy and Procedures Manual*, Section 7.3. The policy requires the Contracting Officer to set up and maintain a contract file. It also states that the contract file should include a copy of the contract agreement and related exhibits.

- **Policies and Procedures** – Metro Health provided evidence that policies and procedures over food permitting operations were developed. However, documentation was not sufficient to address the controls put into place to serve as mitigating processes for data reliability. Current documentation does not provide purpose, context, or supervisory review components for these controls that would increase their overall effectiveness.

It was noted that management from Metro Health concurred with the recommendations and developed a positive Corrective Action Plan.

Dr. Schlenker reported that the only recommendation pending was the development of a process to back-up data as part of a Disaster Recovery Plan.

At the request of Mr. Penley, it was reported that the Health Department collected approximately \$4.6 million annually from the sale of Food Permits.

Ben Gorzell highlighted concerns with the use of Garrison as the City's Software Vendor for processing and monitoring the issuance of Food Permits. Concerns addressed included accessing data if Garrison were to go out of business, the cost of accessing data, and the age of the Software System. Short and long term solutions were discussed and it was noted that cost was a factor in selecting the appropriate solution.

Councilmember Nirenberg requested background information for previously issued Audits on said topic. It was reported that the first Audit was issued in July 2012 with a follow-up report issued in May 2014. Mr. Gorzell highlighted the scope of the Request for Proposal (RFP) which was scheduled to be issued in the Fall of 2014. Hugh Miller stated that the continued use of Garrison as a Software Vendor was not a viable option and reported on solutions implemented which allow for the recovery of data by the Health Department.

Councilmember Nirenberg clarified that there were no health or safety concerns identified in the Audit. Mr. Barthold responded that the Audit was financial in nature and therefore, health and safety issues were not investigated.

Dr. Nathan Vincent noted that the Inspection System currently utilized functioned properly and clarified that the Audit Recommendation is to create a back-up process related to the data in the Garrison software.

Chairperson Taylor requested additional information on the RFP to be issued. Mr. Gorzell reported that the scope of the RFP was inclusive of software utilized by other departments.

Mr. Penley asked of other City software hosted off-site by Vendors. Mr. Miller stated that the HR Recruiting System was just one example of data hosted off-site. He explained that in some situations, having the Vendor host the data off-site was the best solution.

Committee Member Crews moved to accept Audit AU13-F03 as presented. Committee Member Penley seconded the motion. Motion carried unanimously by those present.

## **B. Project No. AU14-009 – CVB Performance Sales Incentive Compensation**

Sandy Paiz provided background information on the Audit to include Scope and Methodology. She noted that the Objective of the Audit was to determine if the Sales Incentive Program was properly managed. Based on the Findings, it was reported that controls were in place and operating as intended to ensure the accurate calculation of Incentive Payments and overall administration of the Program. Overall, CVB Management was ensuring that Program goals were communicated to Sales Personnel and that specified criteria were being met for Incentive Payments.

However, the following items have been identified as opportunities for improvement:

- CVB has a policy in place that outlines the parameters and components of the CVB performance sales incentive program. It noted that some of the requirements used to qualify the validity of a meeting/booking were missing from the current documented sales incentive program policy.

- The CVB sales incentive payout paid in November 2012 utilizing FY13 funding was incorrectly recorded in both the government-wide financial statement and the fund financial statements because the accounting methods used were not in accordance with GASB or City policy. The 2013 payout was correctly recorded in the FY2014 General Ledger.

It was noted that management from the Convention and Visitors Bureau concurred with the recommendations and developed positive Corrective Action Plans.

Steve De La Haya stated that the Convention and Visitor's Bureau created the Incentive Program in 2006 for Sales Team Members and that said Program was similar to those used by other organizations. He reported that based on the findings of the Audit, the Department incorporated all information relating to the Incentive Program into one document and was ensuring that Incentive Payments were issued and reported in compliance with GASB.

Councilmember Nirenberg asked of the staff composition of the Sales Team and Base Salary. Mr. De La Haya reported that the Sales Team consisted of 19 to 20 Staff Members and that Annual Base Salary was between \$60,000 and \$85,000. He noted that Sales Staff Members could earn an additional 30% in incentive pay if individual and team goals were achieved.

At the request of Councilmember Nirenberg, Mr. De La Haya reported that hotel bookings for 2013 were more than in 2012 and highlighted the various factors used to determine bookings. It was noted that Sales Staff Members were booking events into 2026 and explained how Incentive Pay for said bookings was allocated.

Councilmember Nirenberg moved to accept Audit AU14-009 as presented. Committee Member Penley seconded the motion. Motion carried unanimously by those present.

### **C. Project No. AU14-020 – Office of Military Affairs (OMA) Fiscal Operations**

Buddy Vargas reported that the Objective of the Audit was to determine if Grants issued were managed in accordance with Federal, State, and Local requirements. It was determined that the Department was following said requirements and that performance reports and grant deliverables were properly submitted. Mr. Vargas stated that OMA had processes in place to review for allowable grant expenditures and to ensure expenditures were reimbursed to the City.

During the Audit, it was determined that the following items are opportunities for improvement:

- Develop and implement formal written policies and procedures for grants management in accordance to Administrative Directive 8.10 to include but not limited to asset tracking and matching requirements.
- Implement procedures in accordance with Travel AD 8.31.

Mr. Vargas reported that OMA Management concurred with the recommendations and developed a positive Implementation Plan.

Robert Murdoch, Office of Military Affairs Director, noted that within 2 weeks of completion of the Audit, the Department had developed and implemented formal written policies regarding Grants

Management and also implemented procedures for documenting Travel in accordance to the City's travel policies.

Mr. Penley asked of the issuance of future Federal Grants. Mr. Murdoch highlighted Federal Budget constraints and noted how said constraints negatively impacted local economic development. He provided a Plan of Action for securing future Federal Funding for Land Use Studies.

Mr. Penley asked if Funds were saved from previous Budget Years. Mr. Murdoch stated that the Office of Economic Adjustment (OEA) did allow for entities to carry-forward unused Funds to the next Fiscal Year; however, approval was not guaranteed. Mr. Barthold clarified that the Grants awarded to the City were reimbursement-type grants and that the City had to incur the expense before being refunded. As such, funds were required to be spent within the Fiscal Year allotted, and therefore; could not be saved for use in another Fiscal Year.

At the request of Mr. Penley, Mr. Murdoch stated that the Department consisted of 3 Employees - one Full-time and two Part-time Contract Employees.

Committee Member Penley moved to accept Audit AU14-020 as presented. Councilmember Nirenberg seconded the motion. Motion carried unanimously by those present.

### **III. FY 2014 Audit Plan Status Update**

Mr. Barthold reported that a total of 19 Audit Reports had been issued with 2 more to be completed by the end of the May. He emphasized that the Department was on track with meeting its goal despite some Audits being behind schedule and Staff being out.

Mr. Penley requested that "Completed" Reports be coded differently.

Chairperson Taylor asked of the status of Audit AU14-029 regarding SAPD/SAFD Prepaid Legal Plan & Trust. Mr. Barthold reported that the Department was working on gathering additional data. He provided a Project Overview and highlighted challenges encountered in accessing data.

Councilmember Nirenberg asked of the overage in hours utilized for completing AU14-023 and AU14-024 regarding SAFD and SAPD Incentive Pay. Mr. Barthold explained that the review of documentation was a manual process. Therefore said Audits required more hours to complete than initially planned. He noted that the Department would be presenting the Audit Findings to the respective Departments at scheduled Exit Conferences.

At the request of Councilmember Nirenberg, Mr. Barthold reported that AU14-028 regarding the Solid Waste Management Department Transfer Station was Cancelled. He noted that 90% of the items identified for review as part of AU14-028 had already been reviewed in a previous Solid Waste Management Audit.

### **IV. Other**

#### **A. 2014 Office of the City Auditor Peer Review**

Mr. Barthold noted that Peer Reviews were required to be conducted every 3 years as part of Auditing Standards. He provided an overview of the Peer Review Program and stated that a Peer Review of COSA Auditors was scheduled for one week in late September or early October 2014.

**B. FY 2015 Annual Audit Plan**

Mr. Barthold highlighted the Plan of Action to be taken for identifying Audits to be completed in FY 2015. He stated that due to the change in Committee Meeting dates, the Mayor and Council were scheduled to approve the Audit Plan before the Audit Council Committee. As such, it was recommended that Committee Members review and discuss the proposed FY 2015 Audit Plan at the August Meeting with additional discussions to take place via e-mail.

Mr. Barthold also stated that he would present the Departmental Budget at the August Audit Council Committee Meeting and that said Presentation would include staffing levels as well as turnover. He reported that typically said information was presented to the Mayor and Council as part of Budget Process, but would recommend to the Office of Management and Budget that said information be presented to the Audit Council Committee instead.

**V. Executive Session**

Chairperson Taylor announced that an Executive Session was not scheduled.

**VI. Consideration of items for Future Meetings**

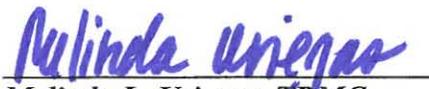
**A. Discuss Future Meeting Date/Time**

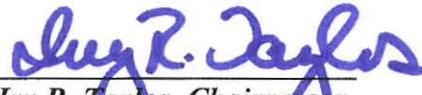
Chairperson Taylor stated that the next Audit Meeting was scheduled for Tuesday, June 24, 2014.

**VII. Adjourn**

There being no further discussion, Chairperson Taylor adjourned the meeting at 11:43 am.

ATTEST:

  
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Melinda L. Uriegas, TRMC  
Assistant City Clerk

  
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Ivy R. Taylor, Chairperson