

AUDIT COUNCIL COMMITTEE MEETING MINUTES

TUESDAY, AUGUST 7, 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> Citizen Member Stephen S. Penley Citizen Member Donald R. Crews
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 Rutherford-Stuart, <i>Assistant Director, Metro Health</i> ; Monica Hernandez, <i>Assistant City Attorney</i> ; Virginia Cobarrubias, <i>Asst. to Director Metro Health</i> ; Fred Garcia, <i>Municipal Court Clerk</i> ; Lianna Paterson, <i>CMO</i> ; Mike Sawaya, <i>Director, Convention Center Sports and Entertainment</i> ;
Also Present:	Elizabeth Provencio, <i>SAWS Trustee</i> ; Dora Verde, <i>SAWS Audit Director</i>

CALL TO ORDER

Chairman Williams called the meeting to order.

I. Approval of minutes from the June 5, 2012 Meeting

Committee Member Penley moved to approve the meeting minutes of June 5, 2012. Council Member Taylor seconded the motion. Motion carried unanimously.

II. Final reports to be discussed

a. Project No. AU12-010 Audit of Municipal Court Fines, Fees, and Cash Management

Kevin Barthold reported that the objective of the audit was to determine if Municipal Court adequately managed cash collections and accounted for the fines and fees it received.

He stated the conclusion was that overall the court adequately managed cash collections, accounted for fines, and fees it receives. Court costs were appropriately charged based on state laws. Additionally, the fines and fees collected on a daily basis were accurately reported in SAP. Finally internal controls were adequate to ensure cash collections were safeguarded. However, the department does not have written policies and procedures to grant and manage user access. He also noted that the Court did not perform periodic cash counts. It was noted that Municipal Court had not obtained approval from the Finance Department for performing cash collections in the field.

Mr. Barthold stated that based on the audit, they recommended that the Municipal Court Presiding Judge: (1) Obtain an understanding of user roles and authority. This will ensure staff has the appropriate privileges within the Tyler Incode System based on individual job responsibilities; (2) Develop policies and procedures to provide guidance concerning responsibilities on how to grant, manage, and monitor user access and permissions; (3) Comply with Administrative Directive 8.1 by performing any documenting periodic cash counts and obtaining approval from Finance for field collections.

Mr. Fred Garcia replied that they had already put in place procedures and created documents defining the user roles and permissions and were implementing same. Relating to the surprise cash counts, same had been implemented and approval received from Finance for cash collections in field offices.

Committee Member Crews stated that the outstanding accounts receivable seemed high. Fred Garcia replied that the accounts date back to 1987 that there are uncollectible accounts that should be purged.

Council Member Taylor moved to accept the audit report as presented. Committee Member Penley seconded the motion. The motion carried unanimously.

b. Project No. AU11-011 Audit of Information Technology Services Department Segregation of Duties

Kevin Barthold reported that the objective of the audit was to determine if incompatible ITSD duties were appropriately segregated with regards to public safety systems.

Mr. Barthold reported that the scope of the audit was of the first quarter (January-March) 2012 and that they interviewed ITSD Management, shared services personnel and public safety staff and conducted reviews of relevant documentation including organizational charts, job descriptions and privileged user access lists.

Mr. Barthold said that they determined that incompatible ITSD duties are appropriately segregated. However, policies and procedures addressing segregation of duties needed to be documented about public safety systems. He noted that they had made a recommendation to the information Technology Services Department to address this issue. The Information Technology services Department concurred with the recommendation and developed a positive corrective action plan.

Committee Member Penley asked for the number of ITSD employees; Mr. Hugh Miller responded that 229 were internal ITSD Employees and 109 were Shared Services Employees.

Committee Member Penley moved to accept the report as presented. Committee Member Crews seconded the motion. The motion carried unanimously.

c. Project No. AU12-004 Audit of Convention, Sports, and Entertainment Facilities Department Catering Contract

Kevin Barthold reported that the objective of the audit was to determine if the City of San Antonio Convention, Sports and Entertainment Facilities Department (CSEF) catering companies are complying with City Contracts. The scope of the audit was from February 1, 2010 through January 31, 2012. He said that they interviewed staff from CSEF, Economic Development and Finance Departments as well as RK Group Management, he added that staff reviewed city administrative directives, departmental operation procedures and catering/concession and commissions paid to the City and performed substantial testing as necessary.

Mr. Barthold reported that while commission revenue paid to the City appears appropriate; that they had identified two instances of noncompliance: (1) RK Group had not met contractual Small Business Economic Development Advocacy (SBEDA) revenue utilization levels for the period between February 2010 and January 2012; (2) CSEF staff had not finalized a physical inventory of all catering and concession property/equipment for the past three years as required by the contract and City policy. Mr. Barthold stated that the inventory should be performed on an annual basis. In addition, he said they identified insufficient monitoring of concession sales commissions which was driven primarily by inconsistent documentation provided by RK Group.

Mr. Barthold stated that they recommended that: (1) the CSEF Director should continue working with the Economic Development Department to ensure both CSEF and RK Group receive the appropriate training surrounding the City's Contract Monitoring System (CCMS) in order to ensure contractor compliance with contractual SBEDA participation rates; (2) Request that RK Group's external auditors include SBEDA Compliance with future agreed upon engagements to add more robust monitoring of the contract; (2) Ensure a physical inventory is conducted every year as required by the contract and that all appropriate adjustments should be recorded in SAP in accordance with City Policy; (3) Continue working with RK Group to standardize reporting templates that will help catalyze consistent, complete documentation and allow for more effective monitoring by CSEF staff.

Mr. Barthold added that Management concurred with their recommendations, partially or in full and developed a positive corrective action plan.

Committee Member Penley asked if the RK Group hired the vendors. Mr. Mike Sawaya answered that RK Group was the Managing Partners and they just assign events. Committee Member Crews asked if the city was involved in selecting varied groups. Mr. Sawaya replied no.

Committee Member Penley moved to accept the report as presented. Committee Member Crews seconded the motion. The motion carried unanimously.

III. Audit Plan Status Update

Kevin Barthold gave a brief update of the Audits that had been completed. He reported that the Animal Care Services Audit had been completed and that the Aviation Audit was a more complex process so it was going to take longer than anticipated. He stated that 11 audits had been completed and the others were going smoothly.

There was no action required for said item.

IV. Office of the City Auditor- FY 2012 Q3 YTD Performance Measure Results

Kevin Barthold reported that the goal for the number of audits reports published was 20 and thus far there had been 17 audit reports published. He added that the percentage of audit recommendations agreed to by management was 100%. He added that the available time devoted to audits was 78% and that the percentage of audit staff with at least one professional audit or related certification goal was 70% but that the actual is 94%. He said that overall the Audit Department was on track with their goals.

There was no action required for said item.

V. FY 2013 Audit Plan

A draft of the FY 2013 Audit Plan was provided to the Committee; Mr. Barthold discussed the process of developing the plan. He also briefly highlighted selected audits within the plan. No specific input was given by the Committee. However, Mr. Barthold requested that if any Committee members had any questions or comments on the plan to please contact him.

Kevin Barthold reported that the 2013 Audit Plan would be updated as necessary as he continues to refine the plan and schedule and present to the Audit Committee at the September meeting for approval. The plan will then be presented to full Council at the September 13, 2012 meeting for approval.

VI. Executive Session

Chairman Williams recessed the meeting to going into Executive Session at 2:50 pm and reconvened the meeting at 2:57 pm. He announced that no action had been taken.

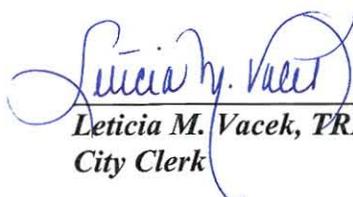
I. Consideration of items for future meetings

It was noted that the next Audit Meeting was scheduled on September 11, 2012.

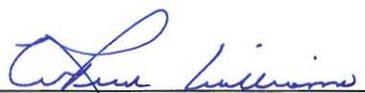
II. Adjourn

There being no further discussion, Chairman Williams adjourned the meeting at 2:57 pm.

ATTEST:



Leticia M. Vacek, TRMC/MMC
City Clerk



W. Reed Williams, Chair