

**AUDIT COUNCIL COMMITTEE MEETING
MINUTES
TUESDAY, JANUARY 8, 2013
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
Committee Absent:	Council Member Rey Saldaña, <i>District 4</i> 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> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Erik Walsh, <i>Deputy City Manager</i> ; Chief William McManus, <i>SAPD</i> ; Dennis Rosenberry, <i>Administrative Services Officer</i> ; Troy Elliott, <i>Finance Director</i> ; Bruce Coleman, <i>Auditor</i> ; Mark Bigler, <i>Audit Manager</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Dawn Opperman, <i>Finance Compliance Administrator</i> ; Brian Williams, <i>Audit Manager</i> , Matt Howard, <i>Auditor</i> ; Danny Zuniga, <i>Auditor</i> ; Sandra Paiz, <i>Audit Manager</i> ; Kimberly Weber, <i>Auditor</i> ; Fred Garcia, <i>Municipal Court Clerk</i> ; Kristie Blust, <i>Municipal Court Legal Administrator</i> ; Rebekah Jamison, <i>Office of the City Clerk</i>

CALL TO ORDER

Chairman Williams called the meeting to order.

I. Approval of minutes from the November 6, 2012 Meeting

Council Member Taylor moved to approve the meeting minutes of November 6, 2012. Committee Member Penley seconded the motion. Motion carried unanimously by those present.

II. Final reports to be discussed

- A. Project No. AU12-014 Audit of Finance Department’s Purchasing Division, San Antonio eProcurement System (SAePS) Controls**
- B. Project No. AU12-013 Audit of Finance Department’s Purchasing Division, Sole Source (Exempted) Procurement Purchase**

Kevin Barthold noted that items A and B would be presented jointly.

Brian Williams reported that the purpose of the audit item A was to determine if purchasing controls within the SAePS application were adequate. He reported that overall the controls were adequate. He noted that they had tested controls within SAePS and determined they were working effectively and that specifically the following controls were determined to be functioning as intended:

- Budget controls that ensure various accounts are maintained within a specified threshold.

- Purchase requisition controls that ensure required fields are correctly populated before finalized.
- Target value controls that ensure purchases are prevented on contracts where target values have been met.
- Vendor solicitation controls that prevent vendors from bidding on contracts after the assigned deadline.
- Purchase order controls that ensure proper approval.
- Controls to ensure the accuracy of SBEDA vendor certification.

Mr. Williams added that they had identified some areas that needed improvement. Specifically, Purchasing did not have adequate controls to monitor user access, prevent shoppers from circumventing SAePS System, and ensuring internal catalogue pricing was accurate. Additionally, Purchasing had not updated the City's Procurement Policy and Procedures Manual to reflect changes due to the implementation of SAePS.

Mr. Williams stated that the following recommendations were made:

- Implement monitoring procedures that will assist in identifying and limiting roles in SAePS to users' specific business needs. Additionally, restrict the access to processing purchase orders in SAP to authorized users
- Update the City's Procurement Policy and Procedures Manual and AD 1.6 Purchasing Procedures to reflect current procurement business processes within SAePS.
- Ensure quotes from Historically Underutilized Businesses are utilized for procurements between 3,000 and 50,000 also, ensure that "after the fact" procurements are tracked and properly communicated to department directors so they can deter this type of process.
- Implement stronger business process controls, such as more frequent review of contractual items, to ensure the internal catalogue pricing is maintained accurately. Additionally, request reimbursement of funds from vendor for those items purchased above the contract price.

Mr. Williams reported for Item B, the audit was specifically to determine if sole source (exempted) procurement transactions were appropriate. He stated that key management controls were insufficient to ensure exempt procurement transactions were appropriate. Although they did not identify any explicit violations of State procurement laws, Purchasing was not appropriately processing exempted procurement transactions as required by City policy within the City's accounting system (SAP) or the San Antonio e-procurement system (SAePS). Additionally, Purchasing could not adequately identify all exempted transactions in SAP or SAePS. He stated that they also determined that the City's Procurement Policies and Procedures Manual was outdated and did not adequately address exempted transactions.

Mr. Williams stated that the following recommendations were made:

- Ensure that all exempted transactions are processed in accordance with City policies and procedures. In addition, ensure that all exempted procurement transactions were properly documented to adequately justify and support the exemption.
- Ensure all exempted transactions were appropriately identified and tracked in SAePS
- Update the City's procurement policies and procedures to adequately address all potential categories of exempted transactions.

The Finance Department concurred with the recommendations and developed a corrective action plan.

After discussion, Council Member Taylor moved to accept the audit with a follow-up Audit. Committee Member Penley seconded the motion. Motion carried by those present.

C. Project No. AU12-018F005 Follow up Audit of SAPD, Alarm Permit and Service Fees

Kevin Barthold reported that the purpose of said audit was to determine if SAPD Management effectively implemented actions to address the prior audit recommendations.

He stated that SAPD Management had successfully implemented four of the five recommendations identified in the previous audit report. He noted that the Department effectively implemented processes for review of alarm fees, ensuring accuracy and timeliness of fee changes, billing of false alarm fees, and compliance with cash handling policies.

Mr. Barthold reported that SAPD had not implemented one recommendation. Auditors had previously recommended that SAPD document and implement an effective process for waiving alarm permit and service fees ensuring proper segregation of duties among Alarms Investigations Office (AIO) staff to improve internal controls over fee waiver transactions.

It was noted that SAPD Management agreed with the findings and is developing a plan to ensure fee waivers are properly authorized.

Committee Member Penley asked how the public could find out the fees charged. Dennis Rosenberry responded that all the fees are on the website.

Mr. Penley also asked when the customer is billed for a false alarm. Mr. Rosenberg responded that after the third false alarm the customer would be billed.

After discussion, Council Member Taylor moved to accept the audit as presented. Committee Member Penley seconded the motion. Motion carried by those present.

D. Project No. AU12-011 Audit of Municipal Court, Financial and Statistical Reporting to External Agencies

Kevin Barthold reported that the objective of the audit was to determine if Municipal Court accurately reported Financial and Statistical data to the state. He noted that the audit scope included the Statistical and Financial reporting processes as well as a review of Municipal Court's financial transactions for fiscal year 2011 and the first two quarters of fiscal year 2012.

Mr. Barthold reported that Municipal Courts is accurately reporting the Financial and Statistical information to the State and that there were no recommendations made for this audit. He added that Municipal Court had completed the necessary reprogramming to both of their systems.

Committee Member Penley moved to accept the audit as presented. Council Member Taylor seconded the motion. Motion carried by those present.

III. FY 2013 Audit Plan Status Update

Kevin Barthold reported that in the first quarter of the 2013 Audits there had been ten audit reports issued, seven of the reports were presented before the Audit Committee and the other three would be presented at the February meeting. He noted that the 2013 audits are on track and that the 2012 audits were completed with several in the management response phase.

IV. Executive Session

There was no Executive Session.

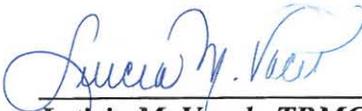
V. Consideration of items for future meetings

It was reported that the next Audit Committee Meeting was scheduled for February 5, 2013 at 2:00 pm.

VI. Adjourn

There being no further discussion, Chairman Williams adjourned the meeting at 2:35 pm.

ATTEST:



*Leticia M. Vacek, TRMC/MMC
City Clerk*



W. Reed Williams, Chairman