

# CITY COUNCIL AUDIT COMMITTEE MEETING MINUTES

**Tuesday, September 7, 2010**

**10:00 a.m.**

**Basement Conference Room, City Hall**

<b>Committee Present:</b>	Councilmember Philip A. Cortez, <i>District 4, Chair</i> Councilmember Jennifer V. Ramos, <i>District 3</i> Councilmember W. Reed Williams, <i>District 8</i> Manuel Long, <i>Sol Schwartz, &amp; Associates</i>
<b>Committee Absent:</b>	Stanley Blend, <i>Oppenheimer Blend Law Firm</i>
<b>Staff Present:</b>	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> ; Majed Al-Ghafry, <i>Public Works Director</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Paula Stallcup, <i>Downtown Operations Director</i> ; Cindy Shoemakers, <i>Community Initiatives Interim Director</i> ; Barry Lipton, <i>Assistant City Auditor</i> ; Kelly Troy Elliot, <i>Finance Assistant Director</i> ; Rafferty, <i>Downtown Operations Assistant Director</i> ; Kimberly Weber, <i>City Auditor's Office</i> ; Celia Gaona, <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> ; 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 August 3, 2010 meeting

Councilmember Williams moved to approve the meeting minutes of August 3, 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 AU09-008 Audit of Public Works Department – Advanced Transportation District Fund

Celia Gaona reported that the purpose of the Advanced Transportation District (ATD) was to increase mobility, reduce traffic congestion and improve neighborhood connectivity. She stated

that one fourth of a cent of the 8.125% sales tax collected in San Antonio funds the Advanced Transportation District (ATD) Program and that the City of San Antonio receives 25% of that amount. She noted that the objective of the audit was to determine if the use of ATD Funds were in compliance with state and local requirements. Ms. Gaona reported that capital assets totaling \$8.2 million for fiscal years 2008 and 2009 were expensed but should have been capitalized and that individual cost elements were not set up to track project costs. Ms. Gaona provided audit recommendations to include:

- Work with Finance to Capitalize ATD Projects per the City's Fixed Asset Policy and Procedures Manual
- Establish individual cost elements per the City's Administrative Directive 8.9

In response to Mr. Long, Majed Al-Ghafry clarified that one fourth of a cent of the 8.125% sales tax collected by the City funds the ATD Program. He explained of that amount, the City of San Antonio receives 25%; the Texas Department of Transportation receives 25%, and VIA receives 50%. He stated that the City's portion equates to approximately \$11.8 million.

Councilmember Williams asked of the capitalization criteria. Ms. Gaona explained that new construction over \$100,000 was categorized as capitalization.

Councilmember Ramos asked of the amount provided for sidewalks. Mr. Al-Ghafry replied that approximately \$4.5 million. He noted that an additional \$4 million was provided for sidewalks from the reserve funds. Councilmember Ramos asked of the distribution of the remaining \$7 million. Mr. Al-Ghafry replied that \$3 million was for Debt Service for Traffic Signal System Modernization (TSSM). Additionally, \$1.5 million funds TSSM, intersection improvements, and bus pads. He added that the majority of the work was contractual. Sheryl Sculley reported that prior to three years ago; funding was allotted to approximately ten topics. She stated that staff narrowed the scope of funding to TSSM which was recommended and approved by City Council for the multi-year five-year plan, and the remaining funding focused on sidewalk improvements.

Chairman Cortez asked of the accountability of property purchased with ATD Funds. Mr. Al-Ghafry stated that the issue had been addressed and that controls were in place. He noted that a desk and chairs were not properly labeled which was identified as being purchased with ATD funds.

Councilmember Ramos moved to approve said audit report. Councilmember Williams seconded the motion. Motion carried unanimously by those present.

#### **ii. AU09-006 Audit of Downtown Operations Department - Parking**

Kimberly Weber reported that the audit objective was to determine if internal controls and other management processes were adequate to oversee parking functions. She noted that there was a need to improve technology and other fiscal processes denoted in the August 2006 Audit Report. She added that the Parking Division had implemented or working toward implementing three of the seven recommendations from the prior audit report. Ms. Weber informed the Committee that Parking Enforcement Revenue was not recorded in accordance with generally accepted

accounting practices and were not matched with associated expenses. She stated that a memo was issued to management of said concerns prior to entering into an Interlocal Agreement with the City of Seattle for parking stations to ensure appropriate safeguards were included in any agreements or contracts.

Mr. Long asked of the Interlocal Agreement with the City of Seattle. Paula Stallcup indicated that the City of San Antonio entered into an Interlocal agreement with the City of Seattle to purchase on-street parking pay stations from Parkeon, Inc.

Councilmember Williams asked of the status on recommendations from the 2006 Audit. Ms. Stallcup indicated that implementation of the pending recommendations were related to technology. She stated the City has contracted with CTR to upgrade the revenue control equipment and that the upgraded equipment would address the remaining recommendations.

In response to Councilmember Ramos, Ms. Sculley explained that the new revenue system will communicate with SAP.

Councilmember Williams moved to approve said audit report. Councilmember Ramos 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 a status update on the FY 2010 Audit Plan. Mark Bigler reported that Audit AU09-005 went to trial regarding three particular issues: 1) Determine if information the City was seeking was considered Personally Identifiable Information (PII); 2) If PII, was Time Warner Cable allowed to provide the information; and 3) Determine responsibility for the cost to extract the data. He stated that those three issues have yet to be ruled on.

Park Pearson provided a timeline based on Audit Committee approval and stated staff had met with all of the Councilmembers with the exception of Councilmember Rodriguez. Mr. Lipton noted that staff would meet with Councilmember Rodriguez next week.

Councilmember Williams requested the addition of a static line indicating "management responses" as part of the work process on the audit status reports. He noted that the "Planned vs. Actual" Audit Status Report should include the "management response" bar to indicate the 20-day response period at the conclusion of each audit report. He also requested all audits remain listed in the status report to identify completed and on-going reports.

Councilmember Ramos asked of the Audit AU09-005C regarding Grande Communications. Mr. Lipton reported that after the 20-day response period; the audit report is forwarded to the Audit Committee Chair and to the Mayor for approval and release. Three days after approval the audit is placed on the website.

Mr. Long asked of the Department/Risk Area population. Ms. Sculley replied that there are 35 City Departments and are ranked by a likelihood of potential problems. Lastly, she noted that there were some audits that she requested such as cash handling audits.

**III. Executive Session**

No items addressed.

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

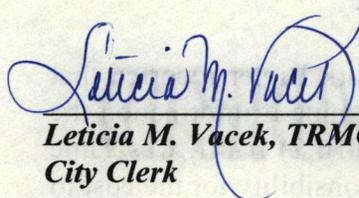
A. Next Meeting Date: October 5, 2010

Chairman Cortez stated that the next meeting was scheduled for October 5, 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 A. Cortez, Chairman