

AUDIT COMMITTEE MEETING MINUTES

TUESDAY, OCTOBER 4, 2011

2:00 PM

MUNICIPAL PLAZA ROOM C

Committee Present:	Councilmember W. Reed Williams, <i>District 8, Chair</i> Councilmember Ivy R. Taylor, <i>District 2</i> Councilmember Rey Saldaña, <i>District 4</i> Citizen Member Stephen S. Penley, <i>OLLU</i> Citizen Member Donald R. Crews
Staff Present:	T.C. Broadnax, <i>Assistant City Manager</i> ; Sharon De La Garza, <i>Assistant City Manager</i> ; Michael Bernard, <i>City Attorney</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Roderick Sanchez, <i>Development Services Director</i> ; Kevin Barthold, <i>Acting City Auditor</i> ; Troy Elliott, <i>Finance Director</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Ellen Erenbaum, <i>Aviation Assistant Director</i> ; Mark Bigler, <i>Audit Manager</i> ; Brian Williams, <i>Audit Manager</i> ; Andre DeLeon, <i>Audit Manager</i> ; Danny Zuniga, <i>Auditor IV</i> ; Bernadette McKay, <i>Deputy City Attorney</i>
Others Present:	Bobby Perez, <i>Shelton & Valadez</i>

CALL TO ORDER

Chairman Williams called the meeting to order.

Swearing-in of Citizen Members.

I. Approval of minutes from the September 6, 2011 Meeting

Councilmember Taylor moved to approve the meeting minutes of September 6, 2011. Councilmember Saldaña seconded the motion. Motion carried unanimously by those present.

II. Final reports to be discussed

a. Project AU10-007 Audit of CIMS Capital Project Administration Expenditures Allocations

Kevin Barthold reported that capital project administrative expenditures were appropriately allocated to capital projects. He stated that Audit Staff specifically determined the following:

- ✦ Allocation rates were developed in compliance with OMB Circular A-87: Cost Principals for State, Local and Indian Tribal Governments
- ✦ Expenditures were properly classified direct or indirect

- ✦ Capital project expenditures were accurately recorded in the City's Financial Accounting System
- ✦ Capital project expenditures were within project funding limits
- ✦ Capital project expenditures transfers were valid

Councilmember Saldaña moved to accept Audit AU10-007 as presented by staff. Councilmember Taylor seconded the motion. Motion carried unanimously.

b. Project AU11-014F02 Follow-up Audit of Aviation's Billing and Collections Process for Leases

Mark Bigler reported that the objective of the audit was to determine if Aviation Management appropriately implemented recommendations made in the 2009 Audit of the Aviation Department's Billing and Collections Process for Leases. He stated that of the six recommendations in the original report; five had been fully implemented and one was in the process of implementation. He noted that the responsibility to assess late penalty charges was in transition to another division of Aviation and they were currently implementing an automated solution to bill late fees.

Mr. Crews asked of the volume of leases. Mr. Bigler responded that in 2009, there were approximately 80 leases.

Councilmember Taylor asked when follow-up audits are conducted. Mr. Bigler responded that follow-up audits would be scheduled after an implementation date of recommendations had been determined. He stated that follow-up audits would not be conducted on audits where recommendations had been implemented prior to the release of the report, or for audits that required minor corrective action.

Councilmember Saldaña moved to accept Audit AU11-014F02 as presented by staff. Mr. Penley seconded the motion. Motion carried unanimously.

c. Project AU11-003 Audit of Development Services Department Zoning Fees

Andre DeLeon reported that the objective of Audit AU11-003 was to determine (a) if support documentation for the Development Services Department (DSD) zoning recommendations was consistent with policies and procedures and (b) if correct fees were charged and collected for zoning services provided by the City. He stated that support documentation for zoning recommendations made by DSD was consistent with policies and procedures. He noted that required documentation was on file, and that DSD zoning recommendations were properly supported. He added that correct fees were charged and collected for zoning services by DSD; however, DSD waived rezoning fees for City initialized zoning requests, which was inconsistent with the Departments Fee Waiver Policy. Additionally, he stated that certain zoning fees were not included in the rezoning application and, thus, were not disclosed to the applicants in accordance with Administrative Directive 8.1 Cash Handling. As a result, DSD should:

- ✦ Begin charging and collecting for rezoning for City-initiated projects

- ✦ Post the expedited zoning case fees and the refunding fee policy in the rezoning application

In response to Mr. Penley, Roderick Sanchez responded that a City Council Request (CCR) providing staff direction to proceed with a zoning case to correct over-zoned areas of the city was a prime example of a City initiated rezoning request. Mr. Sanchez clarified that the fee would be charged to the corresponding Council Office or waived by the City Council. T.C. Broadnax indicated that staff had identified the fee issue and included verbiage in memos notifying the City Council of same. He stated that they were exploring options for funding through the City's General Fund in the future. In response to Councilmember Saldaña, Mr. Sanchez stated that fees could still be waived by the City Council.

Councilmember Saldaña moved to accept Audit AU11-003 as recommended by staff. Mr. Penley seconded the motion. Motion carried unanimously.

III. Office of the City Auditor Peer Review Results

Mr. Barthold provided background and history of the Audit Peer Review Process. He reported that as a government entity, the Office of the Auditor follows generally accepted auditing standards that required an Audit of the Auditor every three years. He cited a reciprocal agreement with the Association of Local Government Auditors (ALGA) to conduct the City's Peer Review. In return, the City of San Antonio will provide an Audit staff member to conduct a peer review at a future date in another city. He stated that ALGA reported that the City Auditor's Office was in compliance with audit standards and reported only one technical issue with regard to annual documentation of the Quality Assurance Process. Mr. Barthold noted that the issue had been corrected and that it was a minor technicality.

IV. FY2011 Audit Plan Status Update

Mr. Barthold provided an overview of the FY 2011 goals and actuals and the projected goals for FY 2012. He reported a goal of 13 published audit reports and noted that 18 audit reports had been published in FY 2011. He stated that the Department projected 20 published audits for FY2012. He noted that the Department would be hiring entry-level staff that may not have certification and that the Auditor's Office would support certification with review courses and funding certification exams. He informed the Committee that five audit reports were currently in the management response phase and that four audits had been implemented with the FY 2012 Plan.

V. Executive Session

To deliberate the duties of the Office of City Internal Auditor, pursuant to Texas Government Code, Section 551.071 (consultation with attorney) and Section 551.074 (personnel matters)

Chairman Williams recessed the meeting into Executive Session at 2:50 p.m. He reconvened the meeting at 3:00 p.m. and announced that no action had been taken.

VI. Consideration of items for future meetings

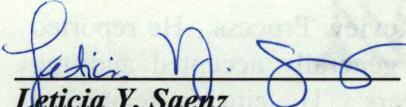
A. Next Meeting Date: November 1, 2011

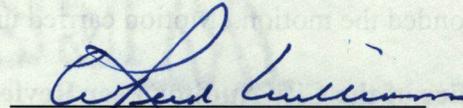
Chairman Williams announced that the next Audit Committee Meeting would occur on November 1, 2011.

VII. Adjourn

There being no further discussion, Chairman Williams adjourned the meeting at 3:00 p.m.

ATTEST:


Leticia Y. Saenz
Deputy City Clerk


W. Reed Williams, Chair