

CITY COUNCIL AUDIT COMMITTEE MEETING MINUTES

Tuesday, May 4, 2010

10:00 a.m.

Media Briefing Room

Committee Present:	Councilmember Jennifer V. Ramos, <i>District 3, Interim Chair</i> Temporary Acting Councilmember Leticia Cantu, <i>District 4</i> Councilmember W. Reed Williams, <i>District 8</i> Stanley Blend, <i>Oppenheimer Blend Law Firm</i>
Committee Absent:	Manuel Long, <i>Sol Schwartz, & Associates</i>
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Pat DiGiovanni, <i>Deputy City Manager</i> ; Sharon De La Garza, <i>Assistant City Manager</i> ; Erik Walsh, <i>Assistant City Manager</i> ; Peter Zaroni, <i>Assistant City Manager</i> ; Michael Bernard, <i>City Attorney</i> ; Leticia Vacek, <i>City Clerk</i> ; Park Pearson, <i>City Auditor</i> ; Ben Gorzell, <i>Finance Director</i> ; Florencio Pena, <i>Fleet Maintenance and Operations Director</i> ; Roderick Sanchez, <i>Planning and Development Services Director</i> ; Barry Lipton, <i>Deputy City Auditor</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Catherine Hernandez, <i>City Manager's Office</i> ; Mark Bigler, <i>City Auditor's Office</i> ; Denis Cano, <i>City Auditor's Office</i> ; Rebecca Moulder, <i>City Auditor's Office</i> ; Arlena Sones, <i>City Auditor's Office</i> ; Brian Williams, <i>City Auditor's Office</i> ; Mandy Milam, <i>Office of the City Clerk</i>
Others Present:	Bobby Perez

CALL TO ORDER

Chairperson Ramos called the meeting to order.

I. Approval of minutes from the April 6, 2010 meeting

Councilmember Williams moved to approve the meeting minutes of April 6, 2010. Councilmember Cantu 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 AU09-004 Audit of the Planning and Development Services Department – Building Permits Issuance and Collections Process

Mr. Cano reported that the Planning and Development Services Department (PDSD) had earned approximately \$19.8 million in revenue from several types of permits in FY 2008. He stated that

the objective of the audit was to determine if PDSO had adequate controls in place to issue the permits and collect the related payments. He noted that the scope of the audit covered 84,705 permits which were issued between October 2007 and January 2009.

Mr. Cano stated that it had been determined that more effective controls were needed over collecting fees, processing customer refunds, and access to the Hansen System. He added that no controls were in place to ensure payment of trade permits. Mr. Cano presented the following recommendations: 1) Bill customers for unbilled permit fees; 2) Bill customers for erroneously waived permit fees; 3) Implement controls to ensure customers pay all relevant fees associated with trade permits; and 4) Ensure employee access to the Hansen System is consistent with assigned job responsibilities.

Mr. Blend entered the meeting at this time.

Mr. Sanchez stated that all issues had been addressed. He noted that a new application to the Hansen System had been implemented allowing the system to evaluate if a project was worth more than the amount declared, prompting the department to charge a higher fee. He stated that PDSO had also implemented a way to track fees waived for projects with multiple permits in the Hansen System.

Councilmember Williams asked if the employee assessing the fee and the employee collecting the fee was the same person. Mr. Sanchez responded that it was. He added that the employees had a table to calculate the fee amount and the supervisor reviewed the fees charged. Councilmember Williams asked where in the process was there room for improvement. Mr. Sanchez replied that the valuation data could be reviewed and that PDSO was considering combining trade permits with overall building permits. He added that combining the permits would enable better oversight.

Councilmember Williams asked for the error rate found in the audit. Mr. Cano replied that the audit had not been performed on a statistical sample. He stated that a trend had been found where fees were not reassessed when projects were found to have a higher value than declared. Mr. Pearson noted that a follow-up audit would be performed the following year.

Chairperson Ramos noted that thirty-four of eighty-five users had override access on the Hansen System previously. She asked for the number of users that currently have access. Mr. Sanchez noted that staff had reviewed those roles and scaled the number down. He said he would provide same to all of the committee since he did not have it readily.

ii. Project AU08-006 Audit of the Fleet Maintenance and Operations Department – Fuel Inventory Controls

Ms. Sones reported that the Fleet Maintenance and Operations Department (FMO) provided fuel to approximately 4,900 city vehicles, operated eleven fueling sites, and dispensed 6 million gallons of fuel in FY 2008. She noted that the audit objective was to determine if the City's fuel purchases, inventory, and usage were appropriately controlled and accounted for throughout the fuel process life cycle. She added that the scope was October 2007 through September 2008.

Ms. Sones stated that perpetual inventory controls were not in place to account for fuel inventory, fuel inventory was not accurately reported in SAP for FY 2007 or FY 2008, and that the fuel card system did not ensure fuel transactions were precisely recorded or that only authorized vehicles were fueled. She noted that only two of the eleven sites had working surveillance cameras and that the media was available for two months. Ms. Sones stated the following recommendations: 1) Generate perpetual inventory records and monthly fuel reconciliation reports for all fuel tanks; 2) Utilize proper inventory evaluation methods for reporting year-end fuel inventories; 3) Implement new fuel management system; and 4) Install surveillance equipment at all eleven fueling sites.

Mr. Zanoni stated that nine of the ten recommendations had been addressed since the report had been issued in August 2009. He added that staff was evaluating the feasibility of installing cameras during FY 2010.

Mr. Blend asked if there was a system to compare current fuel usage with historical data. Mr. Zanoni replied that the automated fuel management system allowed FMO to analyze fuel usage by month, vehicle, or department. Mr. Pena added that roughly 300 police vehicles needed to be updated with the tracking device. In response to questions from Councilmember Williams, Mr. Pena noted that the system had been in place for approximately twelve months and that during that time tank leakage was down to 0.63%.

Councilmember Cantu exited the meeting at this time.

iii. Project AU09-014F3 Follow-Up Audit of the San Antonio Police Department – Special Compensation Payments

Ms. Sones noted that the original report was dated April 27, 2006. She stated that the objective of the follow-up was to determine if the San Antonio Police Department (SAPD) had sufficiently implemented staff recommendations. She added that the scope was from June 2009 through July 2009. She reported that SAPD management had adequately employed all recommendations accepted in the original report.

Councilmember Williams moved to approve audits AU09-004, AU08-006, and AU09-014F3 as submitted. Mr. Blend seconded the motion. Motion carried unanimously by those present.

B. Audit Plan status update

i. Status Report on FY 2010 Audit Plan

Mr. Lipton reported that AU10-001 (Parks and Recreation/Cash Handling Operations), AU10-013F1 (DCI Child Care Services), AU09-006 (Downtown Operations/Parking), AU09-008 (Separate Fund/ATD), AU09-010 (Fire/Homeland Security Reimbursements), and AU09-012 (CIMS/Construction Contract) were in the reporting phase. He added that entrance conferences had been scheduled for AU10-002 (Finance/Edwards Aquifer Protection) on May 7, AU10-003 (SAFD and SAPD/Alarm Fees) on May 10, AU10-009 (Convention Sports & Entertainment Facilities/Contract Procurement) on May 6, and AU10-011 (Citywide

Purchasing/Contract Procurement and Monitoring) on May 13. He also noted that a planning engagement letter had been sent regarding AU10-004 (Fire/Payroll), staff had received a response to AU09-009 (ITSD/Information Systems), and an exit conference had been held on April 8 for AU09-013 (Downtown Operation/Riverwalk Leases).

Mr. Lipton presented the Approved vs. Actual Audit Hours Report noting that it was in response to the Committee's request. He added that the accompanying timeline would be available by the next committee meeting.

Councilmember Ramos noted that AU10-002 (Finance/Edwards Aquifer Protection) was scheduled to be completed July 2010. She stated that there was a related item on the May 6, 2010 Council Agenda and asked if the vote on that item should be delayed until the audit was completed. Ms. Sculley stated that City Clerk would need to provide the November election timeline. Ms. Vacek explained that this was the first step and action needed in order to call a Special Election in November. A letter would then be sent to the State Comptroller's Office and they would make a determination to allow the election. She added that the Special Election would be called by the Council at the June 10, 2010 meeting. Mr. Bernard suggested that the Council proceed with the election timeline due to time sensitivity.

Councilmember Ramos noted that AU09-005C (Grande Communications) was scheduled to be completed in June 2010. Mr. Lipton stated that Grande had been forthcoming with documentation and staff anticipated the audit to run smoothly.

ii. Project AU09-005 Audit of Cable Franchise Fee Payments - TWC

Mr. Lipton added that a court date had been set for June 10, 2010 in regards to AU09-005 (Time Warner Cable). Councilmember Ramos asked which judge the case had been assigned to. Mr. Bernard replied that he would report back to the Committee with said information.

Councilmember Cantu reentered the meeting at this time.

III. Renewal and Extension of Audit Services Contract

Mr. Gorzell reviewed the history of the contract with Grant Thornton. He stated that staff recommendation was to renew the contract for FY 2010 for a fee of \$825,000. He added that SBEDA participation would remain at 50%, but participation levels from the four sub-contractors would be adjusted. He stated that with Committee approval, staff would schedule said item for the May 20, 2010 Council Agenda.

Councilmember Williams moved to approve said item as recommended. Councilmember Cantu seconded the motion. Motion carried unanimously by those present.

IV. Executive Session

Executive Session was not held.

V. Consideration of items for future meetings

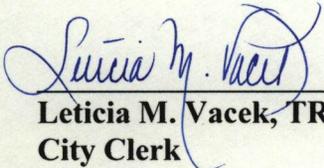
A. Next Meeting Date: Tuesday, June 1, 2010

Councilmember Cantu asked if AU09-004 (Planning and Development Services/Building Permits) covered the entire department including zoning. Mr. Pearson replied that zoning had not been audited in AU09-004. Mr. Cano added that zoning had not been audited in the past five years. Councilmember Cantu requested for audit be conducted of the zoning department.

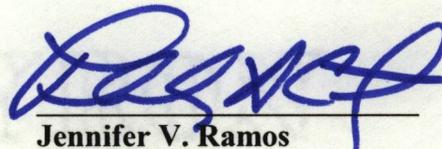
VI. Adjourn

There being no further discussion, the meeting was adjourned at 10:48 a.m.

ATTEST:



Leticia M. Vacek, TRMC/CMC
City Clerk



Jennifer V. Ramos
Interim Chair