CITY COUNCIL AUDIT COMMITTEE MEETING
MINUTES

WEDNESDAY, APRIL 6, 2011
10:00 AM
MEDIA BRIEFING ROOM, CITY HALL

Committee Present:	Councilmember Philip Cortez, *District 4, Chair* Councilmember Jennifer V. Ramos, *District 3* Councilmember W. Reed Williams, *District 8* Manuel Long, *Sol Schwartz, & Associates*
Committee Absent:	Stanley Blend, *Oppenheimer Blend Law Firm*
Staff Present:	Sheryl Sculley, *City Manager*; Leticia Vacek, *City Clerk*; Kevin Barthold, *Acting City Auditor*; Michael Bernard, *City Attorney*; Gloria Hurtado, *Community Initiatives Director*; Brian Williams, *Audit Manager,* Mark Bigler, *Audit Manager;* Andre DeLeon, *Audit Manager;* Celia Gaona, *Auditor IV;* Bernadette McKay, *Deputy City Attorney*; Bob Nordhaus, *Assistant City Attorney*; Brandon Smith, *Office of the City Clerk*
Others Present:	Angela Dunlap, *Grant Thornton*; Robert Williams, *RJW*; Theresa Britts, *Britts & Assoc.*; Monica Swenson, *Britts & Assoc.*; Cassandra Ortiz, *Shelton & Valadez*

CALL TO ORDER

Chairperson Cortez called the meeting to order.

I. Approval of minutes from the March 2, 2011 meeting

Councilmember Williams moved to approve the meeting minutes of March 2, 2011. Mr. Long seconded the motion. Motion carried unanimously by those present.

II. Items Requiring Individual Briefing(s)

Presented by Kevin Barthold, Acting City Auditor

A. Final reports to be discussed

i. Project AU10-013F02 Follow Up Audit of the Department of Community Initiatives Comprehensive Nutrition Program

Celia Gaona reported that of the six recommendations from the original Comprehensive Nutrition Program (CNP) Audit, three had been implemented. One recommendation was in the process of implementation; while two recommendations had not been implemented.

Gloria Hurtado reported that the Department of Community Initiatives was in the process of implementation and noted the following: a) Four additional staff members had been hired to monitor the CNP; b) Implementation of a pilot program on revenue collections; and c) Hiring a Consultant Firm to develop a strategic plan for Senior Services. She stated that staff would be presenting recommendations to the City Council for consideration in a few weeks.

In response to Councilmember Williams, Ms. Hurtado responded that the Strategic Plan would encompass the entire Senior Services Program, and not just nutrition. She noted that staff was recommending KGB Texas for the contract. A discussion issued regarding KGB Texas.

Chairman Cortez asked of the impact to services to seniors due to the audit recommendations not yet implemented. Ms. Hurtado responded that there was no impact to services.

Councilmember Williams moved to accept the audit report. Mr. Long seconded the motion. Motion carried unanimously by those present.

ii. Project AU11-014F01 Follow Up Audit of the Solid Waste Management Department Solid Waste Fees Collected by CPS Energy

Arlena Sones reported that the Solid Waste Management Department had implemented all twelve audit recommendations in the 2008 Audit Report. Councilmember Williams asked why sales tax was applied to a city service. Ms. Sones responded that a State Statute provides that sales tax be applied.

Councilmember Williams moved accept the audit report. Mr. Long seconded the motion. Motion carried unanimously by those present.

B. Audit Plan Status Update

i. Status Report on the FY 2011 Audit Plan

Kevin Barthold reported that the Municipal Courts/Revenue Audit AU11-002 had been canceled. He added that Municipal Court Department was revising the document fees process and implementing a new program in the summer. Mr. Barthold noted that two new audits had been issued during the month of March, bringing the total to nine audits for the fiscal year.

Councilmember Williams asked of any audits that were behind schedule. Mr. Barthold responded that the Alarm Permit Fees Audit was awaiting management response. Additionally, some audit reports were behind and that staff was making progress in getting those reports issued. He stated that an Audit Plan would be provided prior to the start of the fiscal year. Councilmember Williams spoke of the importance of balancing workload.

III. Results of the FY 2010 External Financial Audit and Presentation of Related Reports

Presented by Ben Gorzell, Chief Financial Officer and Angela Dunlap, Partner, Grant Thornton, LLP

Ben Gorzell presented an overview of the external audit process and the history of the City's financial background from 2004 to present.

Councilmember Ramos entered the meeting at this time.

Angela Dunlap reported that Grant Thornton, LLP had issued unqualified "clean" opinions with no scope limitations or unresolved audit issues. She stated that there were some minor internal control comments and had been open and effective communication with management. She provided an overview of the following: 1) Single Audit Findings; 2) Status of Prior Year Single Audit Findings; 3) Audit Adjustments; 4) Internal Control Deficiencies; and 5) Communications related to the Audit.

In response to Councilmember Williams, Ms. Dunlap responded that the City does an excellent job of closing their books and adjustments addressed before the end of the year. She stated that the firm began the City's Audit in January and that the books were closed prior to the audit. Councilmember Williams asked if there were any areas regarding Individual Fund Audits that required the City's focus. Ms. Dunlap replied that due to additional funding from the American Recovery Reinvestment Act (ARRA), more stringent standards were required and that there were individuals within City Departments that were not aware of those changes. She indicated that her firm provided Single Audit Training to City Staff to familiarize them of the requirements for reviewing grant agreements. Councilmember Williams asked if there were any issues that needed to be discussed with the Audit Committee alone. Ms. Dunlap responded that there were none.

Mr. Long referenced ten City Programs that had qualified opinions and asked of any impact to the City. Mr. Gorzell responded that based on the findings, he didn't feel there would be any impact to the City's funding. Mr. Long asked if the opinions from other auditors were included in the report. Ms. Dunlap replied that the opinions of other auditors were not included in the report but were referenced. Mr. Long asked how auditors for outside entities (CPS, SAWS) were determined. Mr. Gorzell responded that the outside entities selected their own external auditors.

Councilmember Ramos asked of the Federal Grants and if the City was required to report its deficiencies. Sheryl Sculley responded yes. Councilmember Ramos asked if there was an impact. Mr. Gorzell responded that there was no impact. Ms. Sculley stated that there was an Executive Session last year regarding disqualified costs and repayment and that there would be a future update provided to the City Council. She noted that audits of federal programs are required annually. Councilmember Ramos referenced the Head Start Program Audit and asked that deficiencies identified. Ms. Dunlap responded that the Head Start Program had minor compliance deficiencies regarding ARRA funding.

Mr. Gorzell provided an overview of audit completion timelines from 2005 to 2010 and cited substantial progress from 304 days to 162 days to complete the audit. He outlined the categories of the Internal Control Letter providing a historical view of the following: Financial Adjustments, Certificate of Achievement Program, State and Federal Single Audits, and Passenger Facility Charges. Ms. Sculley referenced the 2005 Management Letter indentifying 14 finding in comparison to the 2010 Management Letter identifying only two findings. She indicated that position had been added to focus solely on compliance related to the external audit to make improvements to the management of the City. She acknowledged City Staff for their hard work and noted that there would be a greater focus on grant compliance.

Chairman Cortez asked of any improvement of employee turnover within City Departments. Mr. Gorzell indicated that there has been significant improvement and that staff is working on a Shared Services approach reviewing the structure of individual positions and duties.

Mr. Long expressed concern of the delivery of material provided the day prior to the meeting, Mr. Gorzell stated that staff would work to provide the External Audit packet to Committee earlier than the day before consideration.

Councilmember Williams moved to forward the results of the City's External Audit to the full Council for consideration. Councilmember Ramos seconded the motion. Motion carried unanimously.

IV. Discussion and Possible Action on Extension of the Audit Services Contract with Grant Thornton LLP.

Presented by Ben Gorzell, Chief Financial Officer

Mr. Gorzell reported that the City had exercised two extensions of the contract with Grant Thornton, LLP to provide independent audit services with one extension remaining. He stated that the City had renegotiated the previous fee agreement and estimates a total fee for fiscal year 2011 not to exceed $922,500. He noted that staff recommended exercising the final extension of the contract with Grant Thornton, LLP to provide independent audit services for the fiscal year ending September 30, 2011.

Councilmember Williams moved to forward said item to the full Council for consideration. Councilmember Ramos seconded the motion. Motion carried unanimously.

V. Executive Session

No items addressed.

VI. Consideration of items for future meetings

A. Next Meeting Date: May 4, 2011

Chairman Cortez stated that the next meeting was scheduled for May 4, 2011.

VII. Adjourn

There being no further discussion, the meeting was adjourned at 10:45 a.m.

ATTEST:

Philip Cortez, Chairman

Leticia M. Vacek, TRMC/CMC
City Clerk