# AUDIT COMMITTEE MEETING
# MINUTES

**TUESDAY, JANUARY 10, 2012**
**2:00 PM**
**MEDIA BRIEFING ROOM**

| | |
|---|---|
| Committee Present: | Councilmember W. Reed Williams, *District 8, Chair*<br>Councilmember Ivy R. Taylor, *District 2*<br>Councilmember Rey Saldaña, *District 4*<br>Citizen Member Stephen S. Penley<br>Citizen Member Donald R. Crews |
| Committee Absent | *None* |
| Staff Present: | Sheryl Sculley, *City Manager*; Sharon De La Garza, *Assistant City Manager*; Peter Zanoni, *Assistant City Attorney*; Leticia Vacek, *City Clerk*; Michael Bernard, *City Attorney;* Ben Gorzell, *Chief Financial Officer*; Kevin Barthold, *Acting City Auditor*; Troy Elliott, *Finance Director*; Gloria Hurtado, *Human Services Director*; Carlos Contreras, *Intergovernmental Relations Director*; Martha Sepeda, *1st Assistant City Attorney*; Melody Woosley, *Human Services Assistant Director*; John James, *Development Services Assistant Director*; Alejandra Lopez, *Economic Development Assistant Director*; Mark Bigler, *Audit Manager;* Brian Williams, *Audit Manager,* Andre DeLeon, *Audit Manager;* Danny Zuniga, *Auditor IV;* Bernadette McKay, *Deputy City* Attorney; Gabriel Garcia, *Assistant City Attorney*; Brandon Smith, *Office of the City Clerk* |

## CALL TO ORDER

Chairman Williams called the meeting to order.

### I. Approval of minutes from the December 6, 2011 Meeting

Committee Member Penley moved to approve the meeting minutes of December 6, 2011. Councilmember Saldaña seconded the motion. Motion carried unanimously by those present.

### II. Final reports to be discussed

#### a. Project No. AU11-008 Audit of Department of Human Services REAP and WARM Programs

Brian Williams reported that the Department of Human Services (DHS) was following the guidelines and requirements governing the qualifications for the Residential Assistance Partnership (REAP) and Project Winter Assistance Relief Mobilization (WARM) assistance, and that participants were completing the proper applications. He stated that all participants denied utility assistance was done appropriately and that access to the Case Information Management

System (CIMS) was adequately controlled. He noted the following areas for improvement: 1) DHS was not preparing WARM annual project impact reports for CPS; 2) No formal policies and procedures associated with granting waivers for eligibility criteria or assistance limits; 3) CIMS has an unresolved error not allowing it to automatically calculate applicants' annual incomes and corresponding federal poverty limit percentages. He added that CPS' Portal does not have adequate controls to prevent unauthorized access to utility customer accounts and that there was a lack of separation of duties for DHS caseworkers who processed utility credits within the Portal.

Mr. Williams provided the following recommendations to the Director of DHS:

- Ensure compliances with the annual project impact reporting requirement
- Implement formal policies and procedures to guide use of waivers
- Work with the Information Technology Services Department to ensure CIMS users' needs are met
- Request CPS to implement appropriate system controls in its Portal
- Implement formal mitigating controls to ensure credits are appropriately applied to ratepayers' accounts

He stated that DHS concurred with the recommendations and developed a positive corrective action plan.

Gloria Hurtado reported that the corrective action plan was based on the audit recommendations and that there were some systems items that would take additional time. She provided an overview/timeline and noted that an individual had been assigned to work on DHS technology issues. In response to Councilmember Taylor, Yolanda Perez, DHS, responded that the REAP Program was for City of San Antonio residents to receive a maximum of $400 in assistance ($200 every six months) and that Project WARM was for Bexar County residents to receive $150 assistance once per year. Councilmember Taylor expressed concern with the timelines regarding the CIMS issue and CPS Portal access issue. Kevin Barthold stated that a meeting was scheduled next week with City Auditor Staff and CPS Internal Audit Staff to develop a more detailed action plan regarding the CPS Portal issue. He noted that detail plan could accelerate the process.

In response to Chairman Williams regarding temporary corrective controls in processing utility credits, Brian Williams responded that the temporary controls met internal audit standards. Chairman Williams requested that Ben Gorzell assist in accelerating the timeline with ITSD regarding the CIMS issues.

Committee Member Penley moved to accept Audit AU11-008. Councilmember Taylor seconded the motion. Motion carried unanimously.

**b. Project No. AU11-010 Audit of American Recovery and Reinvestment Act (ARRA) Funding**

Brian Williams reported that key management controls were in place and operating to properly monitor and report on the ARRA Initiative. He stated that City staff tasked with managing the ARRA Initiative was appropriately:

- Processing expenditure and reimbursements in SAP
- Filing timely reports with the granting agencies
- Communicating ARRA Grant activity and spending plans with executive management and City Council
- Closing out ARRA Grants in accordance with Federal and City policies, rules and regulations

Committee Member Penley asked of the amount ARRA Funding had been spent. Carlos Contreras responded that approximately $104 million of $142 million in ARRA Funding had been spent.

Councilmember Saldaña asked of the ARRA Funding Spending Reports. Sheryl Sculley reported that she provides quarterly spending reports to City Council during the City Manager's Report. Mr. Contreras stated that he would meet with Councilmember Saldaña to discuss the spending report.

Councilmember Saldaña moved to accept Audit AU11-010. Committee Member Penley seconded the motion. Motion carried unanimously.

## III. External Audit RFP

Troy Elliott reported that an External Audit ensures that the City's records are: 1) Properly maintained; 2) Free from material mistreatment; and 3) Comply with established concepts principles, and accounting standards. He stated that an External Independent Audit is required under the provision of the City Charter and by State Statute. He provided an overview of key contract terms and provided the following timeline:

- Council "B" Session – High profile Contract Briefing – November 2, 2011
- Goal Setting Committee – December 29, 2011
- Audit Committee Meeting Briefing – January 10, 2012
- Council "B" Session Briefing – February 1, 2012
- Release of RFP – February 6, 2012
- RFP Closing Date – March 6, 2012
- Contract to Council – April 2012
- Audit Planning with Selected Firm - May 2012

No action was necessary on the timeline presented.

## IV. Audit Plan Status Update

Mr. Barthold reported that Development Services staff provided additional data regarding temporary controls to address building permit fees issues noted in the Building Permit Fees Audit. He stated that he was comfortable with the proposed controls until a system can be set in place to resolve the issue.

## 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 2:56 p.m. He reconvened the meeting at 3:20 p.m. and announced that no action had been taken.

## VI. Consideration of items for future meetings

A. Next Meeting Date: February 7, 2012

Chairman Williams announced that the next Audit Committee Meeting would occur on February 7, 2012.

## VII. Adjourn

There being no further discussion, Chairman Williams adjourned the meeting at 3:20 p.m.

**ATTEST:**

***W. Reed Williams, Chair***

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