

**AUDIT COUNCIL COMMITTEE MEETING
MINUTES
TUESDAY, JANUARY 7, 2014
2:00 PM
MUNICIPAL PLAZA BUILDING, PLAZA ROOM B**

Committee Present:	Council Member Ivy Taylor, <i>District 2, Chair</i> Council Member Ron Nirenberg, <i>District 8</i> Citizen Member Donald R. Crews Citizen Member Stephen S. Penley
Committee Absent:	Council Member Ray Lopez, <i>District 6</i>
Staff Present:	Erik Walsh, <i>Deputy City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Leticia Vacek, <i>City Clerk</i> ; Troy Elliott, <i>Finance Director</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Ed Belmares, <i>Assistant City Manager</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Gloria Hurtado, <i>Asst. City Manager</i> ; Kathy Davis, <i>Animal Care Services Director</i> ; Heber Lefgreen, <i>Asst. to Director of Animal Care Services</i> ; Pam Roberson, <i>Department Fiscal Administrator</i> ; Daniel Zuniga, <i>Auditor</i> ; Cristina Liguori, <i>Auditor</i> ; Mark Bigler, <i>Audit Manager</i> ; Kimberly Weber, <i>Auditor</i> ; Buddy Vargas, <i>Audit Manager</i> ; Sandra Paiz, <i>Audit Manager</i> ; Lianna Patterson, <i>City Manager's Office</i> ; Rebekah Jamison, <i>Office of the City Clerk</i>

CALL TO ORDER

Chairperson Ivy Taylor called the meeting to order.

I. Approval of minutes from the December 3, 2013 Meeting

Councilmember Nirenberg moved to approve the meeting minutes of December 3, 2014. Committee Member Crews seconded the motion. Motion carried unanimously by those present.

II. Final Reports to be Discussed

A. Project No. AU13-F02 – Follow-up Audit of Animal Care Services Department, Accounting for Revenues and Donations.

Sandy Paiz reported that as part of the Annual Audit Plan, a follow up audit was conducted of Animal Care Services (ACS) Accounting for Revenues and Donations. The initial report was dated May 10, 2012. Ms. Paiz added that the objective was to determine if ACS was adequately managing and accounting for the revenues and donations received.

Ms. Paiz reported that the objective of the current audit was to determine if Animal Care Services management had effectively implemented action plans in response to the recommendations made in the initial audit.

Ms. Paiz reported that ACS had made progress to implement adequate controls to address the recommendations. However there were some areas that still needed improvement. She added that in total, there were 8 recommendations made to Animal Care Services. From these recommendations, management developed 11 action plans to address the control weaknesses. She noted that one action plan was not implemented and two control deficiencies still existed.

Ms. Paiz reported that the areas still requiring improvements were:

- **Improperly Accounted for Transactions.** Ms. Paiz stated that ACS identified and trained employees that were authorized to approve refund transactions, as stated in their action plan. However, as identified in the initial audit report, the issue regarding improper accounting of refunds still exists. ACS was not always debiting refunds to the proper ledger accounts. This practice misrepresents the amount of revenue obtained from each particular revenue source.
- **Bexar County Receivables Not Properly Monitored.** Ms. Paiz stated that an action plan for implementing a formal and consistent process for invoicing Bexar County and following up on payments was not implemented as specified in the initial audit report. Consequently, ACS was not in compliance with the interlocal agreement with Bexar County which states that invoices shall be submitted to the County on the 10th day of each month. ACS did not invoice Bexar County for March through May until June 2013. As a result, there was an outstanding balance of \$238,000 due to the city. She added that since the audit, the outstanding balance had been collected.

Kathy Davis concurred with the Audit conclusions and has developed a corrective action plan to address the issues noted. She added that clerical staff had debited the wrong account and that they have implemented an automated system for invoicing monthly.

Councilmember Nirenberg moved to accept Audit AU13-F02 as presented. Committee Member Crews seconded the motion. Motion carried unanimously by those present.

B. Project No. AU13-F04 – Follow-up Audit of the Department of Human Services, Haven for Hope Program Management

Sandy Paiz reported that the objective of the current audit was to determine if the Department of Human Services (DHS) and Haven for Hope Management had effectively implemented Action Plans in response to the recommendations made in the initial audit report.

Ms. Paiz stated that DHS had effectively implemented action plans to address the recommendations in the aforementioned report. She noted that DHS had implemented the following internal controls to ensure appropriate monitoring of delegate agencies:

- Data validity checks are performed to ensure the accuracy of data entered into the Homeless Management Information System (HMIS).
- Adequate training for HMIS users is being conducted.
- Performance measures are clearly defined and are directly related to the corresponding services provided by the agencies.
- Monthly and quarterly reviews to monitor performance are conducted by the contract monitors.

Melody Woosley concurred with the conclusions of the audit. Kevin Barthold noted that there were significant issues previously but that there was a significant turn around. Mrs. Woosley thanked the Audit and Haven for Hope staff.

Councilmember Nirenberg asked of the proprietary system purchased by Haven for Hope; and if it had been enhanced to allow flagging of date. Mark Carmona of Haven for Hope answered yes. Councilmember Nirenberg asked if midstream performance measures had been handled. Gloria Hurtado said that the measures were part of the contract formal process.

Committee Member Penley moved to accept Audit AU13-F04 as presented. Committee Member Crews seconded the motion. Motion carried unanimously by those present.

C. Project No. AU13-002 – Audit of Capital Improvement Management Services Department, Overhead Rates

Buddy Vargas reported that the purpose of the audit was to determine if CIMS Capital Project overhead rates were appropriate, accurate and properly supported. He added that the overhead rates charged to projects for fiscal years 2012 and 2013 were appropriate, accurate and properly supported.

Mr. Vargas stated that they had interviewed CIMS Management and staff responsible for developing the overhead rate. He added that they had verified that expenditures used to calculate the overhead rate for each fiscal year was in accordance to OMB Circular 87 – Cost principals for State, Local and Indian Tribal Government. He stated that they traced overhead rate support documentation to SAP to verify the rate was properly supported and accurate.

Mr. Vargas stated that there were no recommendations to CIMS; consequently, no management responses were required.

Councilmember Taylor noted that from the constituent side; more is being spent on overhead rather than getting what they thought.

Councilmember Nirenberg moved to accept Audit AU13-002 as presented. Committee Member Penley seconded the motion. Motion carried unanimously by those present.

D. Project No. AU13-004 – Audit of the Convention and Sports Facilities Department, Contract for Audio/Visual and Rigging Services

Kevin Barthold reported that the purpose of the audit was to determine if CSF and PSAV were in compliance with contractual terms for Audio/Visual and Rigging Services.

Mr. Barthold added that they had verified commission revenue and other pertinent information to ensure appropriate execution and monitoring of the contract terms.

Mr. Barthold reported that overall CSF and PSAV were both in compliance with contractual terms for audio/visual (A/V) and rigging services provided at the Convention Center. He

added that both parties were meeting expectations as specified in the contract. However, they identified some administrative processes that needed improvement.

- Controls did not exist for ensuring that PSAV was in compliance with the contractual terms in the following areas:
- Insurance coverage for subcontractors providing goods and services did not exist. Note: issue was remediated – CSF obtained a waiver from the City’s Risk Management Department.
- PSAV was not utilizing subcontractors appropriately as specified in the Good Faith Effort Plan. Additionally, CSF was not reviewing subcontractor proof of payment and the SBEDA compliance reports that provide detail of utilization levels and good faith efforts by PSAV.

Mike Sawaya concurred with the conclusions of the audit and said they had developed a positive corrective action plan.

Committee Member Crews asked of the competitiveness. Mr. Sawaya stated that PSAV is competitive, and could lower the rate to be more competitive. Councilmember Nirenberg asked how they were using resources available to the city. Mr. Sawaya said that they were using the same labor but they were not conducting background checks but are now in compliance. Councilmember Nirenberg asked of reaching out to those that were not included in the city’s data base. Mr. Sawaya said that they were reaching out and would be tracking their payment as they are registered as a sub-contractor.

Committee Member Crews moved to accept Audit AU13-004 as presented. Committee Member Penley seconded the motion. Motion carried unanimously by those present.

III. FY 2014 Audit Plan Status Update

Mr. Barthold reported that a total of 9 reports were issued in the first Quarter. Four Reports were in the Management Response Phase.

IV. Executive Session

A. Deliberate the duties and evaluation of the City Internal Auditor, pursuant to Texas Government Code Section 551.074 (personnel matters)

Chairperson Taylor stated that the executive session would be postponed until February 2014.

V. Consideration of items for future meetings

A. Discuss Future Meeting Date/Time

Leticia Vacek reported that the Audit Meeting date and time was moved to the 4th Tuesday of each month at 10:00 am in the Media Briefing Room. It was stated that the next Audit Committee Meeting would be held February 25, 2014.

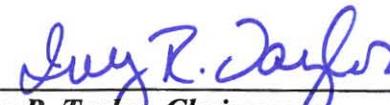
VI. Adjourn

There being no further discussion, Chairperson Taylor adjourned the meeting at 2:45 pm.

ATTEST:



Leticia M. Vacek, TRMC/MMC
City Clerk



Ivy R. Taylor, Chairperson