AUDIT COUNCIL COMMITTEE MEETING
MINUTES

TUESDAY, MARCH 6, 2012
2:00 PM
MEDIA BRIEFING ROOM

Committee Present:	Council Member W. Reed Williams, *District 8, Chair* Council Member Ivy R. Taylor, *District 2* Council Member Rey Saldaña, *District 4* Citizen Member Stephen S. Penley Citizen Member Donald R. Crews
Staff Present:	Sheryl Sculley, *City Manager*; Kevin Barthold, *City Auditor*; Leticia Vacek, *City Clerk*; Peter Zanoni, *Assistant City Manager*; Michael Bernard, *City Attorney;* Ben Gorzell, *Chief Financial Officer*; Police Chief Bill McManus, Troy Elliott, *Finance Director*; Xavier Urrutia, *Parks & Recreation Director*; Rene Dominguez, *Economic Development Director*; Bernadette McKay, *Deputy City Attorney*; Melanie Seal, *Assistant Finance Director,* Anthony Trevino, *Deputy Police Chief,* Jorge A. Perez, *Director of Building/Equipment Services,* Steven Morando, *Building/Equipment 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*
Also Present:	Karmyn Jeffries, *External Auditor;* Angela Dunlop, *Grant Thornton;* Theresa Y. Britts, *Britts & Assoc.;* Robert Williams, *RJW;* Ben D. Kohule, *Grant Thornton*

CALL TO ORDER

Chairman Williams called the meeting to order.

I. Approval of minutes from the February 7, 2012 Meeting

Committee Member Saldana moved to approve the meeting minutes of February 7, 2012. Committee Member Taylor seconded the motion. Motion carried unanimously.

II. Final reports to be discussed

a. Project No. AU11-006 Audit of CIMS CPS/SAWS Capital Project Reimbursements

Kevin Barthold stated that Andre DeLeon, Audit Manager would present the report. Mr. DeLeon reported that the objective of the audit was to ascertain if there are adequate controls over CPS Energy and SAWS reimbursement processes for the City's Capital Projects? Additionally, if reimbursements from CPS Energy and SAWS accurate and timely?

He reported that the audit conclusions were that overall, there are adequate controls over CPS Energy and SAWS reimbursement processes for the City's capital projects. In the 11 projects tested, invoices to CPS Energy and SAWS are accurate; however, invoices submitted by CIMS are not timely. It was reported that collections from CPS Energy and SAWS are accurate and timely. Lastly, it was noted that the recommendation is that CIMS implement procedures that will facilitate the timely request of reimbursements from CPS Energy and SAWS, consistent with AD 8.9 – Financial Management of Capital Projects. CIMS Management concurred with the recommendation and developed a positive corrective action plan.

Chairman Williams asked if CIMS had sufficient personnel. Debbie Sittre replied that they do. Committee Member Penley moved to accept the report as presented. Committee Member Crews seconded the motion. The motion carried unanimously.

b. Project No. AU11-013 Audit of Building and Equipment Department and SAPD Cruiser Management Program

Kevin Barthold stated that Mark Bigler would present said item. Mr. Bigler stated that the objective was to determine if the city's fleet of marked police vehicles is adequately managed. He reported that the conclusions to the audit are that police vehicles are adequately managed under current policies; however, SAPD could improve its fleet management by:
*Decommissioning its police cruisers at 100,000 miles (or more) rather than at 70,000 miles. Estimate of savings would be at least $285,000.
*Conducting a pilot program for the new Chevrolet Tahoe police vehicles that increases the lifecycle to at least 100,000 miles/7.5 years to make a more informed lifecycle/replacement decision.
*Purchasing and maintaining sufficient on-hand computer equipment needed for new cruiser preparation.
*Re-engineering the make-ready process in order to minimize the time required to equip a new cruiser (eg. Performing all make-ready tasks internally at one location without using vendors, or by contracting with a single vendor to perform all make-ready tasks).

Fleet Services could improve police cruiser availability by:
*Moving select maintenance operations to Fleet Service Centers rather than performing all maintenance at the downtown Police Garage.
*Raising preventive maintenance mileage intervals from 3,000 to 5,000 miles to align with manufacturer specs. Over the life of the current patrol fleet; it was estimated that maintenance costs would be reduced by over $153,000; almost 36,000 quarts of oil would be saved and patrol vehicle availability would be increased by at least 10,000 hours.
*Developing a service level agreement with the SAPD for police vehicle management.
*Developing inventory parts management policies and procedures to address obsolete part handling. Also, inventory procedures should be expanded to include physical counts of all storerooms, timely inventory adjustments, and an inventory of both stocked and non-stocked parts.

Councilmember Saldana asked what it would take to change the policy from 70,000 miles to 100,000 miles. Ms. Sculley stated that it would require the renegotiation of the collective bargaining contract. Councilmember Saldana asked of the heavy use of the police units and their oil changes. It was stated that the manufacturer suggests the oil be changed at 7,500 mile intervals but would recommend every 5,000 miles due to usage of the vehicles. Jorge Perez addressed idle time and stated that they would collect data on same. He added that the

manufacturer does not make a recommendation on idle time. He stated that they would run a model to determine if the city needs to move from 3,000 mile oil change intervals to 5,000 miles.

Committee Member Penley asked if the city was changing over to the Tahoe and asked what the standard was. Ms. Sculley stated that it has not been decided to change to the Tahoe as a standard. Councilmember Williams asked of the cost of the Tahoe. It was stated that its cost was approximately $27,700 versus $23,000 for the Crown Victoria. He also asked how many marked vehicles were out on the street during each shift. It was stated that approximately 117 marked vehicles minimum were out on the street per shift.

A brief discussion ensued regarding the police vehicles sitting for various shifts and it was stated by Mr. Perez that Chief McManus has already implemented changes in that area. He noted that the service agents transport the vehicles back to the stations to be ready for use.

Committee Member Penley moved to accept the audit report. Committee Member Saldana seconded the motion. The motion carried unanimously.

III. Results of the FY 2011 External Financial Audit and Presentation of Related Reports

Mr. Troy Elliott reported that Grant Thornton completed the external financial audit for the City's 2011 fiscal year on February 29, 2012. He added that the city is required to engage an independent CPA Firm to conduct an annual audit of the City's financial records and accounts. Additionally, the City publishes a Comprehensive Annual Financial Report (CAFR) which reports the city's financial position, results of operations and the liquidity of its various funds. He added that the CAFR is provided to rating agencies, bondholders and is available to the general public. He also referenced the Management Letter which is provided by Grant Thornton to the City Council and City Management that focuses on internal control matters discovered during the audit of the city's financial statements.

Angela Dunlap stated that each year, the financials have improved as well as the processes and controls. Councilmember Saldana asked why Voelcker Park was included in the report. Ms. Dunlap stated that due to monies over a certain amount being paid out. She added that said amounts are reviewed during the audit. Councilmember Taylor referenced the Davis-Bacon Act and Compliance of same. Mr. Elliott stated that more compliance is evident due to site visits and assessments. Councilmember Williams noted that there are still challenges but will need a cultural change; noting that Davis-Bacon compliance is difficult to audit.

Councilmember Williams thanked Ms. Dunlap for her report. Committee Member Saldana moved to accept the report. Committee Member Penley seconded the motion. The motion carried unanimously.

IV. Audit Plan Status Update

Mr. Barthold reported that the Animal Care Audit had one staff member assigned and would be conducting the exit conference next week. He reported that staff is wrapping up the fieldwork on the Health Department Audit. Regarding the Human Services audit, he noted that the scope of said audit was expanded. He added that they have specific questions about the processes related to the Time Warner Cable audit which has proved difficult in trying to obtain information. He

reported that the Grants/WIC audit report is in draft. Lastly, the IT Segregation of Duties audit was on-time.

V. Executive Session

Councilmember Williams recessed the meeting at 3:19 pm to go into executive session. Councilmember Williams reconvened the meeting at 3:26 pm and stated that no action was taken.

VI. Consideration of items for future meetings

It was noted that the next Audit Meeting would be scheduled for April 3, 2012.

VII. Adjourn

There being no further discussion, Chairman Williams adjourned the meeting at 3:27 pm.

ATTEST:

W. Reed Williams, Chair

Leticia M. Vacek, TRMC, MMC
City Clerk