

**Audit Subcommittee Meeting
Minutes**

Wednesday, April 2, 2008

12:30 PM

City Hall Basement Conference Room

Members Present: Councilmember John Clamp, *Chair, District 10*
Councilmember Delicia Herrera, *District 6*

Staff Present: Sheryl Sculley, *City Manager*; Pat DiGiovanni, *Deputy City Manager*; Erik Walsh, *Assistant City Manager*; Sharon De La Garza, *Assistant City Manager*; Frances Gonzalez, *Assistant City Manager*; Leticia Vacek, *City Clerk*; Michael Bernard, *City Attorney*; Pete Gonzales, *City Auditor*; Di Galvan, *Communications & Public Affairs Director*; Malcolm Matthews, *Parks & Receptions Director*; Ben Gorzell, *Finance Director*; William McManus, *Chief of Police*; Barry Lipton, *Deputy City Auditor*; Martha Sepeda, *1st Assistant City Attorney*; Veronica Zertuche, *Deputy City Attorney*; Jed Maebius, *Mayor's Office*; Brandon Smith, *Office of the City Clerk*

Others Present: Councilmember Sheila McNeil, *District 2*; Councilmember Mary Alice Cisneros, *District 1*; Councilmember Diane Cibrian, *District 8*; Angela Dunlap, *Grant Thornton*

Chairman Clamp called the meeting to order.

I. Approval of minutes from the February 6, 2008 meeting

Barry Lipton requested clarification regarding the audit reports and asked at what point a draft audit report can be released to Council and the Management Team. Chairman Clamp replied that reports could be released once reviewed signed by the Mayor and himself as Audit Committee Chair. Mr. Lipton asked if there was a time limit on how long the Mayor and Chair can hold an audit report. Chairman Clamp replied that there was no limit. Mr. Lipton also asked if draft audit reports could be subject to changes.

Chairman Clamp clarified the minutes to read from "forward completed audit reports" to "forward completed draft audit reports" this would ensure that the audit reports are marked as "drafts" until the cover letter has been signed by the Mayor and himself as Audit Committee Chair. Chairman Clamp also gave direction to add said procedure the Subcommittee Operating Procedures. Mr. Lipton stated that said procedure must be verified against auditing standards that the Auditor's Office must follow.

Pete Gonzales requested further clarification regarding a limit on the amount of time that an audit report can be held by the Mayor and Committee Chair. Chairman Clamp stated that the report would be held until signed. Mr. Gonzales requested further discussion. Chairman Clamp added that a time limit can be discussed at a future meeting.

Councilmember Herrera moved to approve the minutes from the February 6, 2008 meeting with Chairman Clamp's clarification. Councilmember Clamp seconded the motion. Motion carried unanimously.

II. Items requiring individual briefing(s)

A. Introduction of the external Audit Team to include Grant Thornton and the subcontractor in addition to providing the committee with an overview of the external audit plan and time line

Presented by Ben Gorzell, Director of Finance

Angela Dunlap presented a brief overview of Grant Thornton's External Audit Plan of the City's 2007 Fiscal Year. She stated that the estimated completion of the audit would be at the end of June 2008. She noted that interim fieldwork would be incorporated into the audit process which would yield an earlier evaluation and completion of the FY 2008 Audit.

In response to Chairman Clamp, Ben Gorzell explained the difference between external and internal audits. He stated that external audits focus on the City's Financial Statements. Internal audits focus on operations and are mostly project specific. He noted that the selection of the outside auditors was completed through a competitive process.

B. Status update on Current Audits/Progress Report

Presented by Pete Gonzales, City Auditor

Mr. Gonzales referenced a handout of the Monthly Status Report as of March 25, 2008. Chairperson Clamp requested clarification regarding the Audit Exit Date. Mr. Lipton responded that the Exit Date on the status of audits handout signified the exit conference with management. Chairman Clamp directed staff to denote the "Exit Date" as the "Exit Conference Date".

C. Audit Process

Presented by Pete Gonzales, City Auditor

Mr. Lipton recommended modifying the Audit Process regarding Audit Subcommittee Meetings. He suggested that the Audit Subcommittee discussions be changed to focus on new audits and objectives to receive direction and input from the Committee and Management Team. Chairman Clamp requested a summarized narrative on the Audit Process Guide at the next Audit Subcommittee Meeting.

Mr. Gonzales recommended a five day turn-around for Council review of draft audit reports in place of the current sign-off by the Mayor and the Audit Committee Chair. It was the consensus of the Committee to bring said recommendation back to the Committee for discussion in the summer. Councilmember Cibrian stated that it would be a good idea to review best practice models from other communities. She noted that it was important for Council to have oversight over this program and would be reluctant to relinquish that opportunity.

D. Review of Audit Subcommittee Procedures

Presented by Sharon De La Garza, Assistant City Manager

Sharon De La Garza informed the Committee that the proposed component regarding the review and sign-off of draft audit reports by the Mayor and Committee Chair prior to their release would be amended in the Audit Subcommittee Procedures upon approval of the Committee.

Councilmember Herrera moved to approve said component. Chairman Clamp seconded the motion. Motion carried unanimously.

E. Discussion of New Audits or Requests

Presented by Pete Gonzales, City Auditor

Mr. Gonzales requested authorization to conduct an audit to validate the implementation of playground safety procedures at the City's playgrounds. In response to Councilmember Herrera, he stated that there was no particular incident reported to warrant the request. He added that he wanted to be proactive in avoiding a potential lawsuit and to ensure the safety of children on City Playgrounds.

Malcolm Matthews reported that there have been no incidents or concerns reported within the last two years. He noted that there was a five layer process regarding playground design and removal and that the City employs two inspectors to ensure playground safety standards are met. Councilmember Herrera recommended that contact information be posted throughout City Playgrounds for patrons to be able to report safety concerns.

After a lengthy discussion and disagreement between the City Attorney and City Auditor, Councilmember Herrera moved to forward said request to the full Council for discussion. Chairman Clamp seconded the motion. Motion carried unanimously.

III. Executive Session

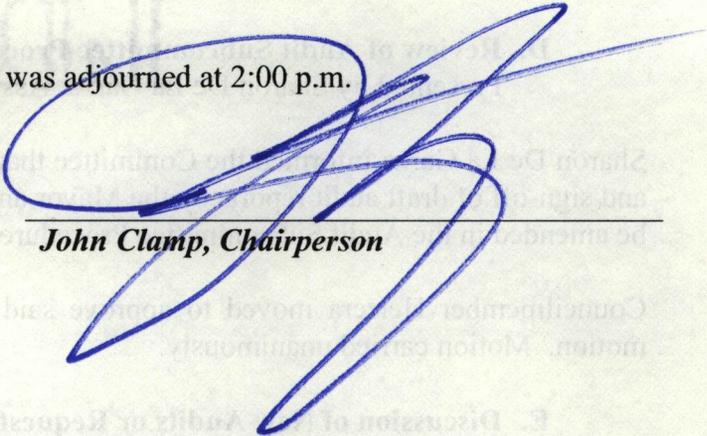
Chairman Clamp recessed the meeting into Executive Session at 1:50 p.m. Chairman Clamp reconvened the meeting at 1:59 p.m. and no action was taken.

IV. Consideration of items for future meetings

Chairman Clamp will confer with staff.

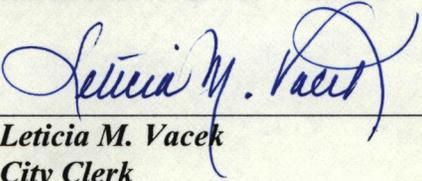
V. Adjournment

There being no further discussion, the meeting was adjourned at 2:00 p.m.



John Clamp, Chairperson

ATTEST:



Leticia M. Vacek
City Clerk