

**CITY COUNCIL AUDIT COMMITTEE MEETING  
MINUTES**

**Tuesday, October 5, 2010  
10:00 a.m.**

**Basement Conference Room, City Hall**

<b>Committee Present:</b>	Councilmember Philip A. Cortez, <i>District 4, Chair</i> Councilmember Jennifer V. Ramos, <i>District 3</i> Councilmember W. Reed Williams, <i>District 8</i> Manuel Long, <i>Sol Schwartz, &amp; Associates</i> Stanley Blend, <i>Oppenheimer Blend Law Firm</i>
<b>Staff Present:</b>	Sheryl Sculley, <i>City Manager</i> ; Sharon De La Garza, <i>Assistant City Manager</i> ; Erik Walsh, <i>Assistant City Manager</i> ; Peter Zaroni, <i>Assistant City Manager</i> ; Michael Bernard, <i>City Attorney</i> ; Leticia Vacek, <i>City Clerk</i> ; Park Pearson, <i>City Auditor</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Charles Hood, <i>Fire Chief</i> ; Paula Stallcup, <i>Downtown Operations Director</i> ; Xavier Urrutia, <i>Parks &amp; Recreation Director</i> ; Edward Benavides, <i>Chief of Staff</i> ; Barry Lipton, <i>Assistant City Auditor</i> ; Troy Elliot, <i>Finance Assistant Director</i> ; David Coatney, <i>Assistant Fire Chief</i> ; Dawn Oppermann, <i>City Auditor's Office</i> ; Buddy Vargas, <i>City Auditor's Office</i> ; Brian Williams, <i>City Auditor's Office</i> ; Kevin Barthold, <i>City Auditor's Office</i> ; Mark Bigler, <i>City Auditor's Office</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Brandon Smith, <i>Office of the City Clerk</i>
<b>Others Present:</b>	Shannon Perez, <i>SEIU</i>

**CALL TO ORDER**

Chairman Cortez called the meeting to order.

**I. Approval of minutes from the September 7, 2010 meeting**

Councilmember Williams moved to approve the meeting minutes of September 7, 2010. Mr. Long seconded the motion. Motion carried unanimously by those present.

**II. Items Requiring Individual Briefing(s)**

Presented by Park E. Pearson, City Auditor

**A. Final reports to be discussed**

**i. Project AU09-010 Audit of Fire Department's Office of Emergency Management-Homeland Security Reimbursements**

Brian Williams reported that the Fire Department's Office of Emergency Management (OEM) implemented all four of the recommendations reviewed from the prior audit report. He stated that controls were in place to ensure that the OEM was properly tracking and submitting expenditures for federal and state reimbursements. He noted that excessive time had lapsed prior between the requesting of reimbursement for grant program expenditures. He added that controls over grant assets were not sufficient. He noted that the OEM was requested to implement Administrative Directive 8.10, "Financial Management for Grants," by developing formal written internal policies and procedures for grants management to ensure compliance with federal, state, and local guidelines.

Mr. Long moved to accept Audit AU90-010. Councilmember Williams seconded the motion. Motion carried unanimously by those present.

**ii. Project AU10-001 Audit of Parks & Recreation (Parks) – Cash Handling**

Mr. Williams stated that the objective of Audit AU10-001 was to ensure that controls were in place and to ensure that cash and checks were appropriately safeguarded. He reported that cash collections and credit card receipts agreed with end-of-the-day reports and that the change balance on hand agreed with the amount shown on the City's Accounting System. He noted that controls required strengthening in the areas of: receiving and processing; safeguarding of assets; management oversight; department policies and procedures; and training. It was recommended that the Parks and Recreation Department update and communicate standard procedures to enforce internal control provisions delineated in Administrative Directive 8.1. Additionally, Mr. Williams reported that management oversight and record keeping procedures for burial plots at San Jose Burial Park (SJBP) required improvement.

Mr. Blend asked of cash limits kept in cash drawers. Xavier Urrutia replied that amounts of \$100-\$500 in each cash drawer are kept depending on each fund balance/cash till and location. He noted cash limits were set by the Finance Department. Mr. Blend expressed concern with the cash amounts and the threat of theft. He spoke of moving the cash to a safer location.

Councilmember Williams asked of the total number of employees SJBP. Mr. Urrutia replied that there were three administrative employees and six equipment operators. Sheryl Sculley stated that the management recommendation is to outsource the burial park which would be presented to Council in the near future.

Mr. Blend moved to accept Audit AU10-001. Councilmember Williams seconded the motion. Motion carried unanimously by those present.

**iii. Project AU10-002 Audit of CIMS – Edwards Aquifer Protection Venue**

Kevin Barthold reported that Aquifer Revenue tax monies are used for the protection of the Aquifer by purchasing land and conservation easements in qualifying Aquifer Zones. He reported that the purchase prices were reasonable as compared to appraisals and market sales

data. He noted that improvements were needed in the monitoring of conservation easements and accounting for program costs.

Councilmember Ramos entered meeting at this time.

Councilmember Williams asked of the misclassified Internal Program allocations. Mr. Barthold replied that appraisal, legal, and environmental fees were recorded but were misclassified and have since been corrected. He indicated that the overstated program expenses had also been corrected.

Councilmember Williams moved to accept Audit AU10-002. Councilmember Ramos seconded the motion. Motion carried unanimously.

## **B. Audit Plan Status Update**

### **i. Status Report of FY 2010 Audit Plan**

Barry Lipton provided a status update on the FY 2010 Audit Plan. He reported that a meeting was scheduled for tomorrow at 8:00 a.m. with the Judge regarding Time Warner Audit AU009-005. Mr. Blend asked the trial status. Michael Bernard replied that there was a trial back in August and that the Judge had not yet ruled on the case. He noted that the Judge was expected to rule on the case tomorrow.

Councilmember Ramos asked of the Towing Contract Audit. Mr. Lipton responded that staff was in the process of drafting the audit report, in addition to further discussion with management and the Police Department. He added that once official comment had been received from management, the report would be provided to the Audit Chair and Mayor Castro for approval and release. Councilmember Ramos also asked of the Grande Communications Audit. Mr. Lipton replied that the audit report was sent to the Audit Committee Chair yesterday for approval and release to the Mayor. Councilmember Ramos requested to review the audit report. Chairman Cortez agreed to the request. Mr. Lipton briefly summarized the status of the remaining audits for FY 2010.

### **ii. Status Report on FY 2011 Audit Plan**

Park Pearson reported that staff was in the process of compiling the first draft of the FY 2011 Audit Plan and that it would be completed by the end of the week. He stated that a draft of the Audit Plan would be forwarded to the City Manager next week and that staff would report back to the Committee with final recommendations. In response to Councilmember Williams, Mr. Pearson confirmed that the Audit Plan was on schedule for presentation to the Committee for approval on November 2, 2010.

Councilmember Williams asked of the cause of the Alarm Fee Audit (AU10-004) overrun. Mr. Lipton explained that the audit timeline was an estimate. He noted that additional findings required additional time to complete the audit.

**III. Executive Session**

It was stated that there were no Executive Session items.

**IV. Consideration of items for future meetings**

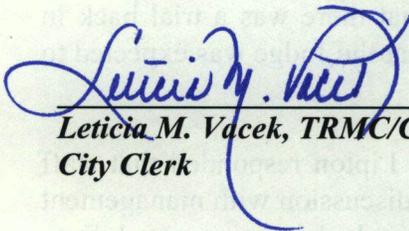
**A. Next Meeting Date:**

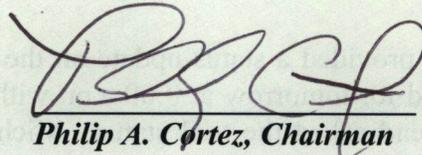
Chairman Cortez stated that the next meeting was scheduled for November 2, 2010.

**V. Adjourn**

There being no further discussion, the meeting was adjourned at 11:00 a.m.

**ATTEST:**

  
Leticia M. Vacek, TRMC/CMC  
City Clerk

  
Philip A. Cortez, Chairman