

**Audit Subcommittee
Meeting Minutes
Tuesday, November 20, 2007
City Hall Basement Conference Room
9:00 AM**

Members Present: Councilmember Kevin Wolff, *District 9, Chair*
Councilmember John Clamp, *District 10*

Members Absent: Councilmember Delicia Herrera, *District 6*

Staff Present: Sheryl Sculley, *City Manager*; Sharon De La Garza, *Assistant to the City Manager*; Pete Gonzales, *City Auditor*; Leticia Vacek, *City Clerk*; Michael Bernard, *City Attorney*; Mark Webb, *Aviation Director*; Ben Gorzell, *Finance Director*; Robert Peche, *Economic Development Director*; Barry Lipton, *Deputy City Auditor*; Geraldine Garcia, *Deputy Police Chief*; Troy Elliot, *Finance Assistant Director*; Theresa Cameron, *City Auditor's Office*; Krystal Strong, *Special Projects Manager*; Frank Salinas, *City Manager's Office*; Leticia Callanen, *City Manager's Office*; Anita Martin, *Economic Development*; Bob Nordhaus, *Assistant City Attorney*; Beverly Stephens, *Assistant City Attorney*; Steve Southers, *City Attorney's Office*; Thomas Marks, *District 9 Staff*; Sonny Torres, *District 6 Staff*; Mario Hune, *District 10 Staff*; Brandon Smith, *Office of the City Clerk*

Also Present: Mike Ferrill, *Cox, Smith & Matthews*

Chairman Wolff called the meeting to order.

I. Approval of minutes from the October 25, 2007 meeting

Councilmember Clamp moved to approve the minutes from the October 25, 2007 Audit Subcommittee Meeting. Chairman Wolff seconded the motion. Motion carried unanimously.

II. Items requiring individual briefing(s):

A. Utility Relocation Contract Audit – Presented by Pete Gonzalez, City Auditor

Pete Gonzales informed the Committee of an anticipated recovery of approximately \$263,000 from the Utility Relocation Contract. He noted that \$215,000 resulted from over billing for work quoted at a fixed rate in the contract. Additionally, \$47,000 was attributed to subcontractor over billing and other miscellaneous items. Mark Webb stated that the oversight was due to a lack of verification and noted that additional project monitoring controls would be incorporated. In response to Councilmember Clamp, Theresa Cameron explained that the subcontractor had submitted billing for 1,000 undocumented hours.

Chairman Wolff directed staff to devise a system that would track problematic contractors. Sheryl Sculley stated that a similar tracking system was in place within the Human Resources Department. She noted that staff would create a citywide contractor tracking system to identify problematic contractors and would return to the Committee for approval.

Mark Webb informed the Committee that there was a retainage on the contract that exceeded the amount of the audit findings and that there would not be an issue collecting the funds. He noted that the Aviation Department, now, has a fully staffed Compliance Group to conduct contract compliance reviews.

B. Status on Current Audit – Presented by Pete Gonzales, City Auditor

Mr. Gonzales provided a status report on current ongoing audits. He noted that there have been few changes from the last report presented to the Committee. He explained that the contractor failed to submit approximately nine invoices that were needed to complete the Wrecker Services Audit. Chairman Wolff asked if there was any legal reason why the current contractor would not relinquish financial documents. Michael Bernard replied that there was no legal reason for the contractor to withhold the requested information.

Ms. Sculley stated that she has requested the contractor's past audited financial statements and that she has recommended an Executive Session next week for Council briefing. Chairman Wolff directed Mr. Gonzales to proceed with the audit and to brief Council in Executive Session.

C. Briefing on Independent Auditor Selection Process – Presented by Ben Gorzell, Director, Finance

III. Executive Session

Chairman Wolff recessed the meeting into Executive Session at 9:32 a.m. to discuss the Independent Auditor Selection Process. He reconvened the meeting at 9:55 a.m.

Councilmember Clamp moved to forward a final recommendation to the full Council for consideration on December 6, 2007. Chairman Wolff seconded the motion. Motion carried unanimously.

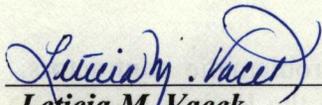
IV. Consideration of items for future meetings

Chairman Wolff announced that the next Audit Subcommittee Meeting is scheduled for January 2008.

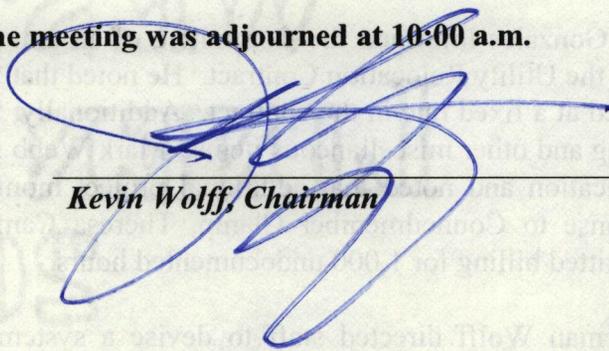
V. Adjournment

There being no further discussion, the meeting was adjourned at 10:00 a.m.

ATTEST:



Leticia M. Vacek
City Clerk



Kevin Wolff, Chairman