

**CITY COUNCIL AUDIT COMMITTEE MEETING
MINUTES**

**Tuesday, April 6, 2010
10:00 a.m.
Media Briefing Room**

Committee Present:	Councilmember Jennifer V. Ramos, District 3, <i>Interim Chair</i> Temporary Acting Councilmember Leticia Cantu, <i>District 4</i> Councilmember W. Reed Williams, <i>District 8</i> Manuel Long, <i>Sol Schwartz, & Associates</i>
Committee Absent:	Stanley Blend, <i>Oppenheimer Blend Law Firm</i>
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Pat DiGiovanni, <i>Deputy City Manager</i> ; Michael Bernard, <i>City Attorney</i> ; Leticia Vacek, <i>City Clerk</i> ; Park Pearson, <i>City Auditor</i> ; Ben Gorzell, <i>Finance Director</i> ; Barry Lipton, <i>Assistant City Auditor</i> ; Troy Elliot, <i>Assistant Finance Director</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> ; Ray Rodriguez, <i>Assistant City Attorney</i> ; Brandon Smith, <i>Office of the City Clerk</i>
Others Present:	Angela Dunlap, <i>Grant Thornton</i> ; Graham Dyer, <i>Grant Thornton</i> ; Josh Baugh, <i>Express News</i> ; Gilbert Garcia, <i>Express News</i> ; Cassandra Ortiz, <i>Shelton & Valadez</i> ; Robert J. Williams, <i>CPA</i> ; Theresa Britts, <i>Britts & Associates</i> ; Milo Martinez, <i>Martinez & Ramos</i>

CALL TO ORDER

Chairperson Ramos called the meeting to order.

I. Approval of minutes from the February 2, 2010 meeting

Councilmember Williams moved to approve the minutes of the February 2, 2010 Audit Committee Meeting. 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. Request Approval to Amend the Audit Committee Approved FY 2010 Audit Plan

i. Inclusion of Towing Contracts

Chairperson Ramos stated that Councilmember Clamp requested that an audit of the Towing Services Contracts be included in the FY 2010 Audit Plan. Councilmember Williams referenced the Horse Drawn Carriage issue within the SAPD Transportation Unit and suggested that an audit also be considered for the same.

Barry Lipton reported that the inclusion of the Towing Services Contracts could require staff to scale back on several follow-up audits. He stated that the FY 2010 Audit Plan was comprised of 13 audits and that the City Auditors Office had a staff of 20 Auditors. He noted that the Towing Services Contract Audit would require approximately 2-3 Auditors.

In response to Chairperson Ramos, Park Pearson stated that staff recommended that audits be prioritized once the FY 2010 Audit Plan had been approved.

Councilmember Williams moved to forward said item to the full Council for consideration. Mr. Long seconded the motion. Motion carried unanimously.

B. Audit Plan Status Update

i. Status Report on the FY 2009 Audit Plan

Mr. Lipton reported on the status of each audit in the FY 2009 Audit Plan. Regarding telecommunication, Chairperson Ramos stated that she filed a Council Consideration Request (CCR) over 2 years ago and asked of expediting the telecommunications provider audit. Councilmember Williams asked if the telecommunications provider audits could be pursued concurrently. Mr. Lipton indicated that there was not sufficient staff to pursue the audits concurrently. Councilmember Williams asked if it was feasible to retain or contract an outside auditor to pursue said audits. Mr. Pearson replied that an outside auditor would not be able to address the audits any sooner than their office staff.

Councilmember Williams asked of audit timelines and staffing. He requested a report regarding each audit and the staff hours planned, staff hours to be used, and completion timelines. Chairperson Ramos stated that Councilmember Cortez also had expressed concern with the amount of resources used to pursue the telecommunications audits.

Mr. Lipton concluded by stating that he would provide the requested audit list relative to staff hours.

III. Results of the Fiscal Year 2009 External Financial Audit and Presentation of Related Reports

Presented by Ben Gorzell, Chief Financial Officer
Angela Dunlap, Grant Thornton, LLP

Ben Gorzell informed the Committee that the City's External Financial Audit was required by City Charter and State Statute. He noted that it was an audit of the City's financial position and a review of the City's financial records, controls, and management of resources.

Angela Dunlap provided an overview of the responsibilities of Grant Thornton, LLP to perform an audit; and express an opinion. She outlined the specific areas of focus and noted that the outcome of said audit was unqualified clean opinions.

Mr. Gorzell referenced the categories of control issues communicated in the Internal Control Letter. He cited a historical view of management advisory comments from FY 2000-2009 and noted that revised rules from 2007 to 2009 had become more stringent. He indicated that there had been tremendous progress from FY 2006 to FY 2009 with a total of only four findings.

Sheryl Sculley stated that the first Management Letter she received for the FY 2005 Audit was composed of 15 pages of findings. She noted that a specific plan was implemented to improve the City's financial management and cited the restructuring of the Finance Department. She mentioned that an individual had been assigned to address the issues identified in the audit two years ago and acknowledged that there had been significant improvements.

Mr. Gorzell concluded that the City had made significant improvements in the financial accounting and reporting operations since Fiscal Year 2004. He stated that additional plans for improvements were underway as follows:

- Development of new Administrative Directives
- Enhanced staff reporting relationships
- Improvements in Technology and Controls
- Training and development of personnel

Councilmember Williams asked if a status of the remediated comments would be included in the material provided to the Committee. Mr. Gorzell stated that an update would be provided to the Council.

In response to Temporary Acting Councilmember Cantu, Ms. Dunlap clarified that if there were any deficiencies involving fraud, illegal acts, or abuse identified during the course of the audit, it would be brought to the Committee's attention.

Mr. Long asked of the sale of the Riverbend Garage. Mr. Gorzell replied that the City had entered into a transaction with a developer for the sale of the Riverbend Parking Garage in exchange for the K-Mart property for development purposes.

IV. Executive Session

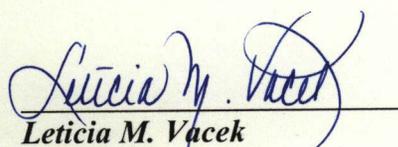
There was no Executive Session.

IV. Consideration of items for future meetings **a. Next Meeting Tuesday, May 4, 2010**

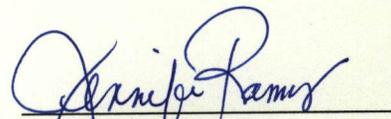
V. Adjourn

There being no further discussion, the meeting was adjourned at 11:38 a.m.

ATTEST:



Leticia M. Vacek
City Clerk



Jennifer V. Ramos
Interim Chair