

AUDIT COMMITTEE MEETING MINUTES

**TUESDAY, DECEMBER 6, 2011
2:00 PM
MEDIA BRIEFING ROOM**

Committee Present:	Councilmember W. Reed Williams, <i>District 8, Chair</i> Councilmember Ivy R. Taylor, <i>District 2</i> Councilmember Rey Saldaña, <i>District 4</i> Citizen Member Stephen S. Penley, <i>OLLU</i>
Committee Absent	Citizen Member Donald R. Crews
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; T.C. Broadnax, <i>Assistant City Manager</i> ; Sharon De La Garza, <i>Assistant City Manager</i> ; Leticia Vacek, <i>City Clerk</i> ; Michael Bernard, <i>City Attorney</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Kevin Barthold, <i>Acting City Auditor</i> ; David McCary, <i>Solid Waste Management Director</i> ; Troy Elliott, <i>Finance Director</i> ; Tony Bosmans, <i>Customer Service Director</i> ; Tom Schlenker, <i>Metro Health Director</i> ; Charles Pruski, <i>Metro Health Assistant Director</i> ; Debbie Sittre, <i>CIMS Assistant Director</i> ; Mark Bigler, <i>Audit Manager</i> ; Brian Williams, <i>Audit Manager</i> ; Andre DeLeon, <i>Audit Manager</i> ; Danny Zuniga, <i>Auditor IV</i> ; Bob Nordhaus, <i>Assistant City Attorney</i> ; Brandon Smith, <i>Office of the City Clerk</i>
Others Present:	Angela Dunlap, <i>Grant Thornton</i> ; Theresa Britts, <i>Britts & Associates</i> ; Ben Kohule, <i>Grant Thornton</i> ; Robert Williams, <i>RJW</i>

CALL TO ORDER

Chairman Williams called the meeting to order.

I. Approval of minutes from the November 1, 2011 Meeting

Committee Member Penley moved to approve the meeting minutes of November 1, 2011. Councilmember Saldaña seconded the motion. Motion carried unanimously by those present.

II. Final reports to be discussed

a. Project AU11-014F03 Follow-up Audit of the Development Services Department Building Permit Issuance and Collections Process

Andre DeLeon reported that the objective of said audit was to determine if Development Services Department (DSD) management had effectively implemented actions to address prior audit recommendations. He stated that DSD Management and staff had implemented or were working toward implementing five of the six recommendations in the previous report. He noted that of the six recommendations; two had been fully implemented; three are still in process; and one not implemented. Mr. Sanchez stated that staff was working with stakeholders to develop

square footage fees. He noted that staff was conducting periodic quality checks until a new process has been set in place. In response to Committee Member Penley, Mr. Rod Sanchez confirmed that fees were paid upfront. Chairman Williams expressed concern with revising the system without directly addressing implementation recommendations. He spoke of the necessity of the manual control of systems during the system revisions. Sheryl Sculley recommended that staff provide the Committee a list of interim controls to be set in place prior to implementation of the collections system. She stated that the list of interim controls would be provided at the next meeting.

Committee Member Penley moved to accept Audit AU11-014F03. Councilmember Saldaña seconded the motion. Motion carried unanimously by those present.

b. Project AU11-012 Audit of Capital Improvements Management Services Department Vertical Construction Project Contracts

Kevin Barthold reported that the overall design, construction, and art costs for the Parman Library and the renovation of the Lila Cockrell Theatre were properly supported and within authorized contract items with few exceptions. He noted (a) Inaccurate contract amounts in the WebPortal and SAP System; (b) Overcharges of \$119,525 in the Lila Cockrell Theatre Project; (c) Non-compliance in wage and hour functions; and (d) A lack of periodic review of user access in the WebPortal System.

Mr. Barthold provided the following corrective actions: (a) Inaccurate contract amounts in the WebPortal and SAP systems were clerical oversights and there were no overpayments. He stated that controls had been placed to ensure accuracy; (b) The overcharges of \$119,525 in the Lila Cockrell Project will be paid through the retainage funds. Upon completion of the project, \$120,000 will be withheld to cover the overcharges; (c) CIMS was behind in reviewing weekly contractor payroll to ensure compliance of federal funded construction requirements. Violations had been identified and CIMS has billed contractors for the penalties and workers have been properly compensated; and (d) User access of employees that had transferred out of CIMS or had left the City had not been removed from the system. The WebPortal will be replaced by CIMS with a new system in the March 2012 timeframe. The new system will have functionality to monitor several issues.

Councilmember Saldaña moved to accept Audit AU11-012. Committee Member Penley seconded the motion. Motion carried unanimously by those present.

c. Project AU11-001 Audit of San Antonio Metropolitan Health District, Vital Division and Office and the Office of Customer Service/311 System Community Link Service Centers, Controls over Cash and Sensitive Documents

Mr. DeLeon reported that payments processed through Vital Statistics Department (VSD) were appropriately calculated, collected, and reported. He stated that overall, controls were in place to ensure cash was properly safeguarded; however, payments were accepted for more than the amount due and not all checks were endorsed and deposited upon receipt. He noted that sensitive documents were not properly safeguarded at VSD and the Link Centers. He cited insufficient accountability for printed certificates, ineffective controls over bank note paper, and inadequate monitoring of access to birth and death certificate data. He outlined corrective recommendations

and noted that Metro Health and Customer Service/311 management concurred with staff recommendations and developed a positive corrective action plan.

Charles Pruski stated that all items identified in the audit have been addressed and that the department has requested assistance from ITSD with software that tracks bank note paper. Sharon De La Garza noted that the department has recognized deficiencies in personnel performance and are addressing those issues.

In response to Councilmember Saldaña, Mr. Barthold confirmed that a follow-up audit has been included in the 2012 Audit Plan. He stated that a corrective action plan had been implemented and that the follow-up audit would focus on efficiencies in tracking of the bank note paper.

Councilmember Saldana moved to accept Audit AU11-001. Councilmember Taylor seconded the motion. Motion carried unanimously by those present.

d. Project AU11-007 Audit on Solid Waste Management Department Landfill Over

Brian Williams reported that controls were not in place to ensure that landfill and recycling charges were accurate and properly recorded. He stated that the Solid Waste Management Department (SWMD) did not utilize independent information to verify tonnage used to calculate landfill and recycling charges, nor did they have other mitigating controls to ensure tonnage accuracy. He added that approximately \$380,000 in underpayments due to the City for February 2010 through March 2011 had been identified. Finally, he reported that SWMD did not properly record recycling gross revenues and processing fees in the City's financial system (SAP) but instead recorded revenues at net value. He stated during the course of the audit, SWMD made appropriate adjusting entries in SAP to properly record recycling revenues and expenses for FY2010 and 2011. He outlined corrective recommendations and noted that SWMD concurred with staff's recommendations and developed a positive corrective action plan.

David McCary reported that policies are now in place with Greenstar and he outlined re-weighing and scale calibration measures to ensure accuracy.

Councilmember Saldana moved to accept Audit AU11-007. Committee Member Penley seconded the motion. Motion carried unanimously.

III. Required Audit Communication from Grant Thornton

Angela Dunlap reported that Grant Thornton LLP performs an audit of the City's financial statements under US Generally Accepted Accounting Standards (GAAS) as well as US Government Auditing Standards. She stated that the audit would also include: 1) Management Discussion and Analysis; 2) Supplementary Information; and 3) Statistical Sections. She noted that the audit provides reasonable but not absolute assurance on the financial operations of the organization primarily because they do not review every transaction but on a scope basis based on materiality. She provided an overview of the Audit timeline concluding with a closing meeting with management in February 2012 and presentation to the Audit Committee to be determined.

IV. Audit Plan Status Update

Mr. Barthold reported that the FY2012 Audit Plan was on schedule and indicated that the Municipal Court Audit was scheduled to begin January 2012 and has been moved up on the audit timeline. Chairman Williams asked of the Parks and Recreation Assets Audit. Mr. Barthold responded that the report should be issued by the end of the week. He stated that the Capital Improvements and Grants Compliance Audit Reports would be released in January 2012. In response to Councilmember Saldana, Mr. Barthold responded that upon receipt of the management responses, the Parks and Recreation Assets Audit Report would be issued to Mayor Castro and Chairman Williams for acknowledgment and released next week.

V. Executive Session

To deliberate the duties of the Office of City Internal Auditor, pursuant to Texas Government Code, Section 551.071 (consultation with attorney) and Section 551.074 (personnel matters)

There was no Executive Session.

VI. Consideration of items for future meetings

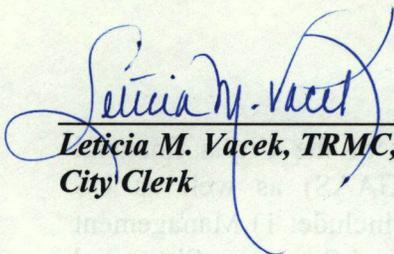
A. Next Meeting Date: January 3, 2012

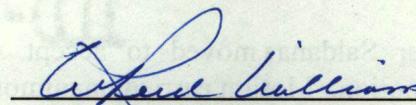
Chairman Williams announced that the next Audit Committee Meeting would occur on January 10, 2012.

VII. Adjourn

There being no further discussion, Chairman Williams adjourned the meeting at 2:51 p.m.

ATTEST:


Leticia M. Vacek, TRMC, CMC
City Clerk


W. Reed Williams, Chair