

**AUDIT COUNCIL COMMITTEE MEETING
MINUTES
TUESDAY, SEPTEMBER 6, 2013
2:00 PM
MEDIA BRIEFING ROOM**

Committee Present:	Council Member Ivy Taylor, <i>District 2, Chair</i> Council Member Ron Nirenberg, <i>District 8</i> Citizen Member Donald R. Crews Citizen Member Stephen S. Penley
Committee Absent:	Council Member Ray Lopez, <i>District 6</i>
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Erik Walsh, <i>Deputy City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Leticia Vacek, <i>City Clerk</i> ; Troy Elliot, <i>Finance Director</i> ; Brian K. Williams, <i>Audit Manager</i> ; Mark Bigler, <i>Audit Manager</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Danny Zuniga, <i>Auditor</i> ; Sandra Paiz, <i>Audit Manager</i> ; Cynthia Hicke, <i>Auditor</i> ; Bruce Coleman, <i>Auditor</i> ; Buddy Vargas, <i>Audit Manager</i> ; Anthony Trevno, <i>Deputy Police Chief</i> ; Dennis Rosenberry, <i>Human Services Office</i> ; Steven Baum, <i>Asst. Director, Police</i> ; Chief William McManus, <i>Police</i> ; Lianna Patterson, <i>Executive Assistant, City Managers Office</i> . Rebekah Jamison, <i>Sr. Executive Secretary</i> .

CALL TO ORDER

Chairperson Taylor called the meeting to order.

I. Approval of minutes from the June 11, 2013 Meeting

Committee Member Penley moved to approve the meeting minutes of June 11, 2013. Committee Member Crews seconded the motion. Motion carried unanimously by those present.

II. Final Reports to be Discussed

a. Project No. AU13-014 - Audit of Public Works Department, Infrastructure Management Plan (IMP)

Kevin Barthold reported that the IMP is a five-year program which focuses on the maintenance of San Antonio's Infrastructure. The goal of the IMP is to provide the best possible maintenance for the City of San Antonio. Public Works citywide service needs are identified and scheduled for street maintenance, alley maintenance, drainage maintenance, sidewalks, traffic signals, pavement markings and Advanced Transportation District (ATD) related projects. Mr. Barthold stated that the purpose of the Audit was to determine if projects included in the IMP were completed within the timeline, scope and budget described in the plan.

Mr. Barthold stated that Street Maintenance projects included in the IMP were completed within the appropriate fiscal year timeline, scope and within the total budget allocated. However, in-house Street Maintenance Project expenditures are not tracked at the project level; therefore, they could not determine budget compliance at the project level.

Mr. Barthold stated that they had identified two street projects that were not completed as approved in the IMP. One project was overlooked by staff and never started. This occurred because staff unintentionally labeled the project as complete in their records. The other project was labeled as rehabilitation on the IMP. However when staff went out to survey the road, they determined rehabilitation was not needed so the road was patched with a crack seal. Also noted was one instance where a scope change was not properly approved. Public Works Staff acknowledged these oversights and will implement additional controls.

Sheryl Sculley added that this audit was requested by Management.

Mr. Barthold stated that Drainage Projects lacked documentation that defined project limits to determine whether projects were completed within scope. Therefore, could not determine if the appropriate scope of the project was completed in accordance with the IMP.

Mr. Barthold recommended the Public Works Director:

- Implement comprehensive monitoring controls that will ensure all projects in the IMP are completed and scope changes are approved by City Council.
- Continue to develop a process that will facilitate the reporting of actual costs on a per project basis.
- Ensure sufficient documentation is maintained that clearly identifies the scope of work completed for each project along with a supervisor's signature for accountability.
- Document formal policies and procedures to provide guidance for significant business processes related to the IMP.

Councilmember Nirenberg asked how the allocations were made. Anthony Chukwudolue responded that allocations are made with historical data unit prices.

Mr. Chukwudolue agreed with the Audit findings.

Committee Member Crews moved to accept Audit AU13-014 as presented. Committee Member Penley seconded the motion. Motion carried by those present.

b. Project No. AU13-019 –Audit of San Antonio Police Department, Confidential Informant Funds

Mark Bigler reported that the purpose of the audit was to determine if the San Antonio Police Department (SAPD) funds for the Confidential Informant (CI) program are properly managed.

Mr. Bigler stated that since the implementation of new controls in the Spring of 2012, the SAPD has had adequate controls to ensure confidential informant fund payments are

approved by appropriate personnel and adequately documented. Mr. Bigler noted that the SAPD developed monitoring controls to ensure that confidential informant cash funds assigned to various units were reviewed by supervisors and counted by Fiscal Operations staff each month. He added that they found opportunities to improve some monitoring controls. Specifically, they had identified instances in which monthly surprise counts or monthly supervisor reviews were not conducted or documented as required by SAPD Policies and Standards.

Mr. Bigler made the following recommendations:

- Ensure all assigned and reassigned funds are counted at least once per quarter by Fiscal Operations Staff.
- Reinforce policies requiring monthly spot audits by unit supervisors and ensure that each supervisor knows how to properly document those audits.
- Ensure that all documentation of audits and surprise counts is completed prior to filing.

Chief McManus stated that the San Antonio Police Department concurred with the findings and has developed a corrective action Plan.

Committee Member Crews moved to accept Audit AU13-019 as presented. Councilmember Nirenberg seconded the motion. Motion carried by those present.

c. Project No. AU13-021 – Audit of Solid Waste Management Department, Household Hazardous Waste Contract

Sandra Paiz reported that the purpose of the Audit was to determine if the Solid Waste Management Department (SWMD) and Clean Harbors Environmental Services, Inc. (The Contractor) were in compliance with the contractual terms for disposal of household hazardous waste.

Ms. Paiz stated that SWMD and the contractor were not in compliance with the contract. She pointed out that the issues with the SWMD contract administration included:

- Lack of invoice detail review prior to payment approval
- Failure to maintain control of the Culebra Site
- Insufficient training and/or credentials of staff
- Non-existence of a Contract Administration Plan (CAP)

Ms. Paiz made the following recommendations:

- Develop processes requiring a thorough review of invoices and supporting detail that will detect alterations to support documentation.
- Change the locks at the Culebra Site to restrict after hours access.
- Develop a training plan for staff and review credentials of contractor staff.
- Recover overcharged amounts for unqualified staff billed at the chemist rate.
- Develop a Contract Administration Plan to ensure monitoring and review tasks are performed and documented.

Chairperson Taylor asked how long the contract was. Mr. David Newman stated that it is a three year contract with two year option terms. He added that the first year was up on September 1, 2013.

Mr. Zaroni stated that the vendor reviewed their invoices and had issued a refund to the city.

Councilmember Nirenberg asked of the contractor altering data. Mr. McCary stated that the invoices were not altered but lacked signatures. Mr. McCary agreed with the findings and reported that he has developed a corrective action plan.

Committee Member Crews moved to approve Audit Number-AU13-021 Committee Member Penley seconded the motion. Motion carried by those present.

d. Project No. AU13-022 – Audit of Solid Waste Management Department, Accounting and Performance Measures

Sandra Paiz reported that the purpose of the Audit was to determine if calculations and key assumptions used to develop SWMD's Financial Model were reasonable and if Performance Measures were accurate and properly supported. Ms. Paiz noted that the Audit was requested by City Council.

Ms. Paiz stated that calculations and key assumptions supporting SWMD's Financial Model and reported performance measures were reasonable and accurate. The model is an effective tool for comparing annual operating costs, capital expenditures, and projected customer fees under different recycling rate scenarios. Additionally, SWMD's performance measures were reasonable for assessing progress towards departmental goals. However, documentation of supporting information for key model assumptions and performance measure results could be improved.

Ms. Paiz stated that due to limited documentation, they relied on the assistance of SWMD staff as they manually retraced and calculated key model assumptions and performance results to supporting information.

Ms. Paiz stated that her recommendation was that the Director of SWMD should ensure that all supporting documentation for information reported externally or otherwise used in management decision making processes is retained. Also, when estimates are used in reporting, that should be clearly noted.

Committee Member Penley asked when the Financial Model is run. Peter Zaroni stated that it is updated quarterly.

Sheryl Sculley stated that the fee will incentivize recycling; the less you throw, the less you pay.

Mr. McCary agreed with the findings and noted that a corrective action plan has been developed. Committee Member Penley moved to accept Audit AU13-022 as presented. Committee Member Crews seconded the motion. The motion carried by those present.

III. FY 2014 Proposed Audit Plan

Mr. Barthold reported that there were 28 Audits in the proposed audit plan and 8 Follow-Up Audits. Mr. Barthold added that the FY 2014 Audit Plan was comprised of recommendations provided by the City Council, City Manager, Audit Department Staff and City Departments.

Councilmember Nirenberg asked if something comes up during the year; how is that handled. Mr. Barthold stated that changes to the Audit Plan can be made through the Audit Committee.

Chairperson Taylor asked of the Audit regarding the EMS Billing. Mr. Barthold reported that it Audit was just completed and would be providing the report in a few weeks.

Committee Member Crews asked of the proposed hours required to complete Audit Reports. Mr. Barthold reported that the hours presented were reflective of actual hours needed.

Committee Member Penley moved to refer the Proposed Audit Plan to the Council Meeting of September 12, 2013. Councilmember Nirenberg seconded the motion. The motion carried by those present.

IV. FY 2013 Audit Plan Status Update

Mr. Barthold reported that there were 26 audits that were underway. Mr. Barthold noted that all audits would be completed by December 2013.

V. Executive Session

Executive Session was not held.

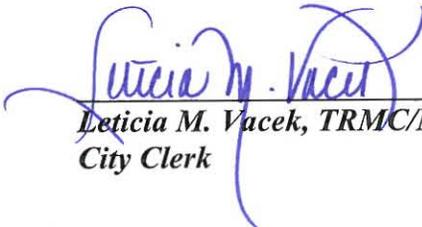
VI. Consideration of items for future meetings

It was reported that the next Audit Committee Meeting was scheduled for October 1, 2013 at 2:00 pm.

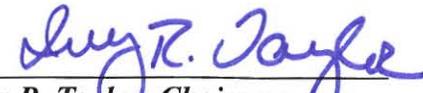
VII. Adjourn

There being no further discussion, Chairperson Taylor adjourned the meeting at 3:25 pm.

ATTEST:



Leticia M. Vacek, TRMC/MMC
City Clerk



Ivy R. Taylor, Chairperson