CITY COUNCIL AUDIT COMMITTEE MEETING
MINUTES

Tuesday, September 1, 2009
10:00 a.m.
Media Briefing Room

Committee Present:	Councilmember Philip Cortez, *District 4, Chair* Councilmember Jennifer Ramos, *District 3* Councilmember Reed Williams, *District 8* Manuel Long, *Sol Schwartz, & Associates*
Committee Absent:	Stanley Blend, *Oppenheimer Blend Law Firm*
Staff Present:	Sheryl Sculley, *City Manager*; Pat DiGiovanni, *Deputy City Manager*; Frances Gonzalez, *Assistant City Manager*; Sharon De La Garza, *Assistant City Manager*; Michael Bernard, *City Attorney*; Leticia Vacek, *City Clerk*; Barry Lipton, *Deputy City Auditor*; Cindy Shoenmaker, *Community Initiatives Assistant Director*; Brian Williams, *City Auditor's Office,* Dennis Cano, *City Auditor's Office;* Mark Bigler, *City Auditor's Office;* Debbie Sittre, *Capital Improvements;* Laura Cisneros, *Department of Community Initiatives*
Others Present:	Councilmember Mary Alice Cisneros, *District 1*

CALL TO ORDER

Chairperson Cortez called the meeting to order.

I. Approval of minutes from the May 19, 2009 meeting

Councilmember Ramos moved to approve the meeting minutes of May 19, 2009. Councilmember Williams seconded the motion. Motion carried unanimously by those present.

II. Items Requiring Individual Briefing(s)

Presented by Barry Lipton, Deputy City Auditor

A. Final Reports issued since last meeting

i. Project AU08-002 Audit of Community Initiatives Comprehensive Nutrition Program (CNP)

Dennis Cano reported that Comprehensive Nutrition Program Centers were not consistently compliant with CNP policies and procedures and that appropriate controls were not in place. He noted that the Senior Services Division (SSD) was not adequately monitoring meal activity at the Centers.

Councilmember Ramos asked of the recommended appropriate controls and a follow-up plan of action. Sheryl Sculley replied that an exit review is conducted at the completion of an audit where a recommended plan of action is developed along with an implementation timeline. She noted that the Executive Leadership Team monitors the Department to ensure that recommendations have been implemented.

It was noted that all but one recommendation had been implimented by the Department and Laura Cisneros confirmed. She stated that the one outstanding item was the issue with AACOG that was currently being addressed.

Councilmember Ramos moved to accept the Audit Report as presented by the Auditor's Office. Councilmember Williams seconded the motion. Motion carried unanimously.

ii. Project AU07-17B Citywide Cash Handling Phase II Audit

Mr. Cano reported that there were inefficiencies in the revenue collection and recording processes for several of the point-of-sale (POS) systems reviewed and that the net accounts receivable balance in the City's 2007 CAFR was understated by approximately $860,000. Additionally, he stated that the City paid for licensing and maintenance fees for 3 Hansen modules which were no longer used.

Mr. Cano stated that staff recommendation was that ITSD and the Finance Department communicate and fully develop business requirements of individual departments prior to developing or acquiring new systems. He also noted recommendation to analyze MARR transactions and record outstanding receivables in the City's current accounting system (SAP).

Councilmember Ramos moved to accept the audit report as presented by the Auditor's Office. Councilmember Williams seconded the motion. Motion carried unanimously.

iii. Project AU09-003 Audit of Convention & Visitor's Bureau City Store Cash Handling Operations

Mr. Cano reported that cash collection and credit card receipts agreed with cash register end-of-day amounts shown in the City's accounting system. He recommended that internal controls required strengthening in several areas to ensure that cash and checks are properly safeguarded. He also recommended that current procedures be updated to include internal control provivisions delineated in AD 8.1 and that City Store supervisors periodically monitor cash handling activities to ensure compliance with updated procedures.

Mr. Long asked of the total revenue of $230,000 and the cost to the City for the merchandise. Mr. Cano stated that the cost of merchandise was not analyzed and that the focus of said audit was to ensure that funds were collected and safeguarded.

Councilmember Williams moved to accept the audit report as presented by the Auditor's Office. Councilmember Ramos seconded the motion. Motion carried unanimously.

B. Audit Plan Status Update

i. Status Report on FY2009 Audit Plan

Barry Lipton provided an overview of the FY2009 Audit Plan. He stated that eleven audit reports had been published online with the addition of three audit reports in the month of September. He cited a recent request for audit to determine the propriety of invoices received by the Texas Department of Transportation (TxDOT).

Chairman Cortez asked of the Audit Plan process and how an audit is approved. Mr. Lipton explained that an Audit Plan was developed with input from the City Council, Department Directors and the City's CPA Firm. After development, the proposed plan was discussed with City Management and City Councilmembers before presentation to the full Council for consideration.

Councilmember Ramos asked of the audit regarding Project Quest. Mr. Lipton stated that he was not at liberty to discuss the findings of the audit until an agreement had been reached with management and Project Quest. Sheryl Sculley clarified that said audit was not regarding the quality of the program but more of a financial analysis. She noted that audit would be finalized soon and that it would be brought to the full Council.

ii. Status Project AU09-005 Finance/Revenue from telecommunications providers

Councilmember Ramos also asked of the status regarding telecommunication providers. Mr. Lipton replied that the audit would be discussed in Executive Session.

Said item was discussed in Executive Session.

iii. Request Audit-Project AU09-016 of Capital Improvements Management Services Contracts

Debbie Sittre reported that past practice was for the City to participate in cost-sharing with the Federal Government and contract with TxDOT to hire construction contractors. She noted that a request was made to review invoices regarding the City's pro-rate cost for said projects.

At this time the Committee addressed Item IV.

IV. Consideration of items for future meetings

A. Audit Committee Orientation

Mr. Lipton recommended an orientation regarding the audit process. Chairman Cortez suggested the orientation be scheduled prior to or after an Audit Committee Meeting.

III. Executive Session

Chairman Cortez recessed the meeting into executive session at 11:01 a.m. to discuss Audit-Project AU09-005-Finance/Revenue from telecommunications providers pursuant to Texas Government Code section 551.071 – consultation with attorney.

Chairman Cortez reconvened the meeting at 11:17 a.m. at which time he stated that no action had been taken.

IV. Adjourn

There being no further discussion, the meeting was adjourned at 11:17 a.m.

ATTEST:

Philip Cortez
Chairman

Leticia M. Vacek
City Clerk