

**CITY COUNCIL AUDIT COMMITTEE MEETING
MINUTES**

WEDNESDAY, MARCH 2, 2011

10:00 AM

MEDIA BRIEFING CENTER, CITY HALL

Committee Present:	Councilmember Philip A. Cortez, <i>District 4, Chair</i> Councilmember Jennifer V. Ramos, <i>District 3</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> ; Peter Zaroni, <i>Assistant City Manager</i> ; Michael Bernard, <i>City Attorney</i> ; Leticia Vacek, <i>City Clerk</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Mike Frisbie, <i>CIMS Director</i> ; Kevin Barthold, <i>Acting City Auditor</i> ; Nikki Ramos, <i>Human Resources Assistant Director</i> ; Debbie Sittre, <i>CIMS Assistant Director</i> ; Edward Gonzalez, <i>Community Initiatives Interim Assistant Director</i> ; Jeff Pullia, <i>Public Utilities Administrator</i> ; Mark Bigler, <i>Audit Manager</i> ; Brian Williams, <i>Audit Manager</i> , Danny Zuniga, <i>Auditor IV</i> ; Gabriel Garcia, <i>Assistant City Attorney</i>
Others Present:	Bobby Perez, <i>Shelton & Valadez</i>

CALL TO ORDER

Chairman Cortez called the meeting to order.

I. Approval of minutes from the November 15, 2010 meeting

Councilmember Williams moved to approve the meeting minutes of November 15, 2010. Mr. Blend seconded the motion. Motion carried unanimously by those present.

II. Items requiring individual briefing(s)

Presented by Kevin Barthold, Acting City Auditor

A. Final Reports to be discussed

i. Project AU09-005C Audit of the Capital Management Services Department-Sunset Phase II-Teak to Broadway Project

Danny Zuniga reported that the services provided by the contractors and related payments complied with contract terms and requirements; however, he noted the following: 1) The City did not make timely requests for reimbursable costs to TxDOT and that TxDOT did not reimburse the City in a timely manner, resulting in approximately \$27,000 in lost interest on funds; and 2) CIMS authorized a \$16,535 change order which TxDOT was disputing and may

not reimburse the City. He added that he had received an update since the report had been issued and that \$16,535 change order would be reimbursed.

In response to Mr. Long, Mr. Zuniga responded that the City was reimbursed \$3.9 million, just not in a timely manner, resulting in the loss of interest.

Councilmember Williams asked Mr. Barthold of new changes. He responded that the goal is not to have any findings on an audit and that this was the first Local Agency Managed (LAM) project taken over by the City. He stated that it was a very large and complex project and that many of the processes had been streamlined.

Councilmember Williams moved to accept the audit report. Councilmember Ramos seconded the motion. Motion carried unanimously by those present.

ii. Project AU10-013F3 Follow Up Audit of Department of Community Initiatives, Supportive Services for the Elderly Project (SSEP)

Kevin Barthold reported that the Department of Community Initiatives (DCI) had implemented all recommendations from the prior audit report as follows: 1) DCI implemented a review process to monitor accounting and reporting. All program transactions were accurate, consistently classified and complete; 2) Management significantly reduced taxi usage from 22.1 percent to 8.5 percent of total trips and reduced taxi costs from 15.1 percent to 8.9 percent; and 3) DCI reported two previously unreported SSEP claims to Alamo Area Council of Governments (AACOG) and SSEP personnel implemented a process for timely reporting of future incidents. There have been no claims requiring AACOG reporting since the prior audit.

Councilmember Ramos moved accept the audit report. Councilmember Williams seconded the motion. Motion carried unanimously by those present.

iii. Project AU09-005C Audit of the Finance Department-Grande Communications, Inc. Cable Franchise Fees

Mark Bigler reported that Grande Cable properly remitted Cable Franchise and Public, Education, and Government (PEG) Fees; however, Grande underreported advertising revenues during the audit scope period resulting in underpayment to the City of approximately \$25,000. Additionally, the reporting model used by Grande for remittance of quarterly franchise fees and payments had an error in the formula that resulted in an overpayment to the City of approximately \$1,000. He noted staff's recommendation was that the Finance Department, Public Utility Division (PUD) work with Grande to collect the \$25,000 due from underreported advertising fees. Additionally, to credit Grande the \$1,000 overpayment; and work with Grande to correct the reporting model for remittance of franchise fees.

Councilmember Williams requested an update regarding Time Warner Cable. Mr. Bigler responded that the case went to trial in October 2010. He stated that the City's Litigator drafted the judge's verbal order and submitted it to Time Warner Cable. He noted that Time Warner's

response was not acceptable and that the City had requested a hearing for final judgment. Michael Bernard reported that the hearing for final judgment was scheduled for March 9, 2011.

Councilmember Ramos spoke of the lengthy timeline of the case and asked if Time Warner and AT&T had been requested the same information as requested from Grande. Mr. Bigler responded that information requested was the same for all entities. He added that staff met with AT&T in December, 2010 and that they had requested that the City sign a non-disclosure agreement before meeting with them again. City Staff submitted that agreement to Office of the City Attorney for revisions and submitted the agreement back to AT&T and are awaiting their response.

Councilmember Ramos moved to accept the audit report. Councilmember Williams seconded the motion. Motion carried unanimously by those present.

B. Audit Plan Status Update

i. Status Report on FY 2011 Audit Plan

Mr. Barthold reported that the high level numbers for the fiscal year to date are as follows: Seven audit reports had been issued and that an eighth report would be issued this week. He cited the FY 2011 Annual Audit Plan matrix and charts. He stated that there were several audits that where staff was very involved in trying to move those audits forward. He added that several audit reports would be issued over the next two months, bringing significantly the Audit Plan up to date.

Councilmember Ramos asked of the SAPD Towing Contracts Audit. Mr. Barthold reported that the audit had been finalized and issued and would be presented at a future Audit Committee Meeting.

Councilmember Williams recommended that staff provide to the Committee web links to the audit reports in an effort to save on printing and the use of paper. Mr. Barthold responded that the audit reports are currently online but that staff would proceed as directed with the links. Councilmember Williams asked of the pending audits that staff was most concerned with. Mr. Barthold responded that those include the City South Administration; Alarm Permit Fees; and the Purchasing Audits. He reported that staff was working to move those audits to completion.

III. Executive Session

Chairman Cortez recessed the meeting into Executive Session at 10:27 a.m. and reconvened the meeting at 11:00 a.m. He announced that no action had been taken.

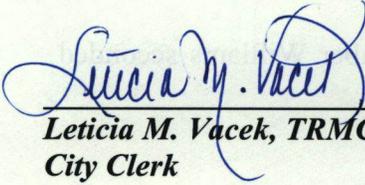
IV. Consideration of items for future meetings

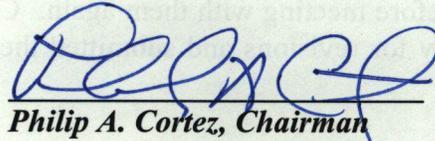
A. Next Meeting Date: April 6, 2011

V. Adjourn

There being no further discussion, the meeting was adjourned at 11:10 a.m.

ATTEST:


Leticia M. Vacek, TRMC/CMC
City Clerk


Philip A. Cortez, Chairman