

**CITY COUNCIL AUDIT COMMITTEE MEETING
MINUTES**

Tuesday, November 3, 2009

10:00 a.m.

Media Briefing Room

Committee Present:	Councilmember Philip Cortez, <i>District 4, Chair</i> Councilmember Jennifer Ramos, <i>District 3</i> Councilmember Reed Williams, <i>District 8</i> Stanley Blend, <i>Oppenheimer Blend Law Firm</i>
Committee Absent:	Manuel Long, <i>Sol Schwartz, & Associates</i>
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Erik Walsh, <i>Assistant City Manager</i> ; Sharon De La Garza, <i>Assistant 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> ; Frank Miller, <i>Aviation Director</i> ; Martha Sepeda, <i>1st Assistant City Attorney</i> ; Barry Lipton, <i>Deputy City Auditor</i> ; Geraldine Garcia, <i>Assistant Police Chief</i> ; Troy Elliot, <i>Assistant Finance Director</i> ; Denis Cano, <i>City Auditor's Office</i> ; Brian Williams, <i>City Auditor's Office</i> ; Mark Bigler, <i>City Auditor's Office</i> ; Griselda Sanchez, <i>Assistant City Attorney</i> ; Brandon Smith, <i>Office of the City Clerk</i>

CALL TO ORDER

Chairperson Cortez called the meeting to order.

I. Approval of minutes from the September 1, 2009 meeting

Councilmember Williams moved to approve the meeting minutes of September 1, 2009. Committeemember Blend seconded the motion. Motion carried unanimously by those present.

II. Items Requiring Individual Briefing(s)

Presented by Park E. Pearson, City Auditor

a. Final reports to be discussed

i. Project AU09-014F1 SAPD Firearms and Equipment Tracking Follow-up Audit Report

Mark Bigler reported that a follow-up review had been conducted and indicated that the San Antonio Police Department management had sufficiently implemented and working toward implementing all of the firearm recommendations from the original audit.

ii. Project AR009-001 Audit of Aviation Department Contract for Project 10 Volume 7

Barry Lipton reported that Bartlett Cocke/Walbridge performed services in accordance to the contract terms; however, the following issues were identified and should be addressed by the Aviation Department:

- The Security System was not fully functional as of June 15, 2009 due to difficulties integrating the new security system with the existing airport security system.
- Aviation did not include Additional General Conditions contract template in the final contract document.
- Contract language for cash allowances lacked sufficient detail to describe the appropriate use of funds.
- Contract did not specify contractor profit and overhead percentages for cash allowance expenditures.

Mr. Lipton stated that Auditors subsequently reviewed documentation indicating that the security system was operational and accepted on August 31, 2009. He noted that thorough review of final contracts for all required sections, sufficient description and clear contract language had been recommended.

iii. Project AU08-010 Audit of the Billing & Collections Process for Leases in the Aviation Department

Denis Cano reported that rents received were consistent with lease terms; however, a number of operational and accounting processes requiring improvement had been identified. He noted the following recommendations from the audit conclusions:

- Execute a written lease agreement with all tenants.
- Write-off of uncollectible receivable balances.
- Development of detailed procedures for collection of delinquent accounts.

Committeemember Blend asked of the bad debt reserve. Mr. Cano replied that the Department had a policy regarding said receivables and that the Finance Department was working on a Receivables Administrative Directive to address said issues city-wide.

Chairman Cortez expressed concern with accounts receivable reaching over \$1,000,000 and requested implementation of a process to address accounts in default over a period of time. Sheryl Sculley indicated appropriate processes were being implemented.

Councilmember Reed asked of any lessees that were in default that required to be removed from the lease. Frank Miller stated that notifications of default had been provided with a timeline to respond prior to steps being taken to terminate contract.

b. Audit Plan Status Update
i. Status Report on FY2009 Audit Plan

Mr. Lipton reported that the Office of the City Audit met the goal of the FY2009 Audit Plan and had published sixteen (16) formal reports. He stated that staff was given direction to send letters to AT&T and Grande and that letters were sent on September 24, 2009. He noted that the City filed a lawsuit on September 25, 2009 and that Time Warner Cable had taken action to bring the lawsuit to federal court. Michael Bernard stated that he believed that the matter would be resolved in a timely manner.

c. Status of FY 2010 Annual Audit Plan

Park Pearson commended the City Auditor's Staff for the work they had done in his absence. He stated that the office was working on the FY 2010 Audit Plan and would present to the Committee for review at a future meeting.

Councilmember Ramos asked if the FY 2010 Audit Plan would be finalized by the scheduled December 2009 meeting. Mr. Pearson stated that a draft of the Plan would be completed by that time.

In response to Chairman Cortez, Ms. Sculley stated that an update would be provided at a B Session.

III. Executive Session

Chairman Cortez recessed the meeting into executive session at 10:32 a.m. to discuss pending litigation pursuant to Texas Government Code section 551.071 – consultation with attorney.

Chairman Cortez reconvened the meeting at 10:40 a.m. at which time he stated that no action had been taken.

IV. Consideration of items for future meetings

a. Next Meeting December 1, 2009

V. Orientation Session on the organization of the City of San Antonio, Financial Operations Reporting, City Charter/Ordinance, Operating Procedures of the Office of the City Auditor and Audit Report Protocol

Ms. Sculley provided an overview of the City Charter and the City Council / City Manager Form of Government. She highlighted the duties and responsibilities of the City Manager.

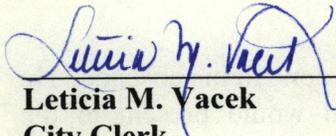
Ben Gorzell provided information on the City's External Audit process. He stated that an external audit conducted by a Certified Public Accountant was required by State Statute and the City Charter. He noted that the firm of Grant Thornton had been awarded the current two-year contact with three (3) one-year extensions. He added that 50% of the contract was subcontracted to SBEDA qualified firms. Mr. Gorzell indicated that the External Audit was coordinated by the Finance Department and compiled all documents for review.

At this time, Mr. Pearson suggested that the orientation conclude.

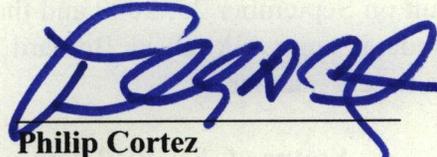
IV. Adjourn

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

ATTEST:



Leticia M. Vacek
City Clerk



Philip Cortez
Chairman