

**AUDIT COUNCIL COMMITTEE MEETING  
MINUTES  
MARCH 17, 2015 at 11:30 AM  
CITY HALL BASEMENT CONFERENCE ROOM**

Committee Present:	Council Member Rey Saldaña, <i>District 4, Chair</i> Council Member Shirley Gonzales, <i>District 5</i> Council Member Ray Lopez, <i>District 6</i> Citizen Member Donald R. Crews
Staff Present:	Kevin Barthold, <i>City Auditor</i> ; Leticia M. Vacek, <i>City Clerk</i> ; Troy Elliott, <i>Director</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Mark Bigler, <i>Audit Manager</i> ; Susan Van Hoozer, <i>Auditor</i> ; Buddy Vargas, <i>Audit Manager</i> ; Michelle Garcia, <i>City Auditor</i> ; Holly Williams, <i>Auditor</i> ; Bruce Coleman, <i>Auditor</i> ; Lorenzo Garza, <i>Auditor</i> ; Cristina Stavley, <i>Auditor</i> ; Rebecca De La Garza, <i>Executive Asst.</i> ; Kathy Bruck, <i>CEO PreK4SA</i> ; Alfred Martinez, <i>PreK4SA Finance</i> ; David McCary, <i>Director</i> ; Joseph Krupa, <i>Solid Waste</i> ; Mark Wade, <i>SA Metropolitan Health District</i> ; Paul Fenstermacher, <i>SA Metropolitan Health District</i> ; Vincent Nathan, <i>SA Metropolitan Health District</i> ; Thomas Schlenker, <i>San Antonio Health District</i> ; Chris J. Hebner, <i>Asst. City Attorney</i> ; Michael Sindon, <i>Manager</i> ; Pamela Cruz, <i>Sr. Mgmt Analyst</i> ; Andy Mixon, <i>Finance</i>

**CALL TO ORDER**

Chairman Saldaña called the meeting to order.

**1. Approval of Minutes from the February 17, 2015 Meeting**

Citizen Member Crews moved to approve the minutes of the February 17, 2015 Audit Council Committee Meeting. Council Member Lopez seconded the motion. The motion carried unanimously.

**2. AU14-F03 Follow-up Audit of Economic Development Department Economic Development Incentives**

Mr. Buddy Vargas reported the basis for this Audit was to follow-up on the August 6, 2013 Audit. The Audit was to determine if the Economic Development Department had successfully implemented an Action Plan to address the prior Audit recommendations relating to Economic Development Incentives.

Mr. Vargas said the Economic Development Department (EDD) had successfully implemented action plans that address all recommendations from the August 6, 2013 Audit. The EDD enhanced contract language to allow for adequate verification of compliance and provide clear guidelines for reducing tax abatements. In addition, contract language was updated to align with departmental practices.

Mr. Vargas also added that EDD has updated policy and procedures to include site visits, tax abatement verification, and the use of the department's Project Management System Sales Force as a contract monitoring tool.

Mr. Rene Dominguez stated that he welcomed the recent Audit because it confirmed the Department is doing a good job. Recommendations were implemented in 2014 after the August 6, 2013 Audit and the enhanced procedures are currently in place.

Council Member Lopez said that Tax Abatements Incentives are important for Economic Development growth and for creating jobs in our City. It's also important that the community be aware that our organization monitors Economic Development very closely.

Councilman Lopez noted that the Audit Process has not always been like this. The process has been enhanced since Mayor Julián Castro's term at which time Mr. Kevin Barthold became the City Auditor.

Council Member Lopez moved to accept said Audit. Council Member Gonzales seconded the motion. The motion carried unanimously.

### **3. AU14-F02 Follow-Up Audit of Economic Development Department**

Mr. Buddy Vargas reported that as part of the Annual Audit Plan approved by the City Council, the Audit Department conducted a follow-up Audit of the recommendations made in the Audit of the Economic Development's Economic Development (EDD) Economic Development Incentive Contracts dated August 6, 2013.

Mr. Vargas said the objective of this Audit was to determine if the Economic Development Department had successfully implemented the Audit Recommendations relating to Economic Development Incentives. It was noted that EDD has successfully implemented action plans that address all recommendations from the previous Audit. EDD has also enhanced contract language to allow for adequate verification of compliance and provide clear guidelines for reducing Tax Abatements. In addition, contract language was updated to align with Departmental Practices. EDD also updated policy and procedures to include site visits, tax abatements verification, and the use of the Department's Project Management System Sales Force as a contract monitoring tool.

Council Member Lopez asked if the City has approved any waivers.

Mr. Dominguez replied yes, there have been approved waivers to the Prime. There is a process for partial or full waiver requests. He added that he believes the City of San Antonio has the most robust SBEDA program in the entire country. The CCMS and Monitoring System is what makes this program better from others around the Country.

Citizen Member Donald Crews moved to accept said Audit. Council Member Gonzales seconded the motion. The motion carried unanimously.

#### **4. AU14-021 Audit of PreK4SA Fiscal Compliance**

Mr. Barthold reported that the Audit Period was July 1, 2013 through June 30, 2014. The Audit scope included expenditures and revenues related to contracts and agreements, as well as overall compliance with the City of San Antonio (COSA) Administrative Directives and fiscal policies and procedures during this period.

Mr. Barthold said the Audit reflected that yes, the overall PreK4SA is in compliance with fiscal policies. The department has made progress in implementing controls to ensure the effective management of the program's finances.

Mr. Barthold said there were no material deficiencies noted; however, the following Administrative areas need improvement:

- Contract monitoring controls were not fully established to ensure adequate documentation supporting the receipt of goods and services provided by contracted vendors and approved to release payment to those vendors.
- Duties related to cash handling and review of journal entries were not appropriately segregated.
- Corporate and individual contributions were not formally processed or tracked per the City's donation and contribution Administrative Directive and related accounting standards.

Ms. Kathy Bruck said she appreciated the Audit process. It helped to fine tune some of the procedures that needed adjustment. She said she hired a Procurement Specialist which has helped with the contract process. The segregation of duties has also been adjusted. All of the employees have also been appropriately trained and a formal process is in place to properly account for and track contributions and related expenses according to applicable Administrative Directives and Accounting standards.

Citizen Member Crews said the report shows that in the first year the revenues were \$32 million and 471 Pupils were served.

Mr. Peter Zanoni replied that \$32 million was not all spent in the first year. He said the expenditure budget was actually \$24 million in the first year and the eight year fund balance was carried over so as to serve 3500 Students. He said \$24,000 was spent per pupil. He added that there were many initial costs in that first year. Today's costs are actually \$12,000 - \$14,000 per pupil. He said this program costs are higher than other School Districts but this program is a high quality program. Teacher to Student Ratio is better than other School Districts.

Council Member Lopez stated that he was fortunate to read to a group of Kindergarteners recently and that he has a new respect for Kindergarten Teachers. He said there were stark changes in the classroom from the first day he visited a PreK4SA Classroom. He added that these Kindergarten Children are an investment. They will be our employee pipeline in the future.

Ms. Bruck added that a lot of time is spent with the parents on Training and Involvement. There are fourteen coaches in the seven School Districts that are in the classroom providing training to the Child Care Staff and Public School Teachers. Teachers from Dallas, Houston and other area Teachers are coming to PreK4SA for the training that is being provided.

Citizen Member Crews moved to accept said Audit. Council Member Gonzales seconded the motion. The motion carried unanimously.

## **5. AU14-F07 FOLLOW-UP AUDIT OF SAN ANTONIO METROPOLITAN HEALTH DISTRICT LABORATORY OPERATIONS**

Mr. Mark Bigler reported that this Audit was a follow-up Audit of the recommendations made in the Audit on August 20, 2013. The objective of the Audit was to see if prior Audit recommendations were successfully implemented and working as intended.

Mr. Bigler said the scope of the Audit was limited to the recommendations and corrective action plans made in the original report for the period from October 2013 to July 2014, with current processes as applicable.

- Mr. Bigler reported that Metro Health has made progress implementing Management Action Plans to address the prior Audit recommendations. However, some improvements were still needed. Metro Health has successfully implemented five of six action plans and one action plan involving the implementation of new information technology projects is still in progress.
- Mr. Bigler said the Revenue collected for lab services has been addressed and the Director has implemented end-of-day procedures for safeguarding cash and establish internal controls to comply with the City's AD 8.1 Cash Handling.
- Mr. Bigler stated the Director has established and implemented a process to ensure Medicaid/Medicare eligible services are billed accurately and within the required time frame. Rejected claims should be corrected and resubmitted timely.
- Mr. Bigler reported that the Director has implemented a process for review lab sample counts for accuracy before sending to the Fiscal Division for billing. The Department implemented a peer review process in which one technologist tabulates the Milk and Dairy test and a second technologist also tabulates the test counts.
- Mr. Bigler reported that the Director has established a standard process for conducting inventories and work with the Fiscal Division to update the list of lab consumables to ensure that the inventory value is accurately reported at the end of each year.
- Mr. Bigler said that the Director is ensuring that contracts are created for vendors that they anticipate purchasing goods/service totaling \$3,000 or more as required by AD 1.6.
- Mr. Bigler reported that the final recommendation had been partially implemented at the time of the Audit. The recommendation was for the Director to strengthen and access controls for the

Information Management System and ensure compliance with the City's Administrative Directives implemented by the Information Technology Services Department (ITSD)

- He noted that the new Laboratory Information Management System (StarLIMS by Abbott) is currently being implemented. It went live during the first week of September 2014, but had not been certified and accepted at the time of fieldwork. The service level agreement and system security plan are still in the draft stage. It was noted that two other Information Technology Initiatives were also being introduced at Metro Health that would affect the Laboratory Operations processes. The first is an electronic Medical Records System which was being expanded to include patient billing (Netsmart) and the Electronic Claims Processing was being added to billing protocols (Availity).

Mr. Bigler reported an updated recommendation was made to the Director of Metro Health:

- Continue working with ITSD to complete the implementation and acceptance of the StarLIMS System, as well as the additional functionality for Netsmart, and Availity.
- Ensure that these Information Technologies have appropriate security and access controls and comply with City Administrative Directives and ITSD policies.
- Finalize all related Standard Operating Procedures, Service Level Agreements, and System Security Plans.

Dr. Schlenker said not many people know that the Public Health Lab is a large facility that has several Federal Contracts for Air Quality and Toxic Substances and that it is a Level III Bio Safety Regional Lab for Rabies, Sexually Transmitted Diseases and Tuberculosis. He also reported that the StarLIMS System went live on March 17, 2015. The old system has been off line but must be kept for two years for information transfer and to protect information that is stored in that system.

Council Member Lopez moved to accept said Audit. Council Member Gonzales seconded the motion. The motion carried unanimously.

#### **6. AU14-F08 FOLLOW-UP AUDIT OF SOLID WASTE MANAGEMENT DEPARTMENT HOUSEHOLD HAZARDOUS WASTE CONTRACT**

Mr. Barthold reported that as part of the annual Audit Plan approved by City Council, they conducted a follow-up Audit of the recommendations made in the Audit of the Solid Waste Management Department (SWMD) Household Hazardous Waste (HHW) Contract dated June 14, 2013.

Mr. Barthold said SWMD did make progress to implement adequate controls to address the recommendations; however, some improvements are still needed. In total there were four recommendations made to SWMD. From these, SWMD Management developed four action plans to address the findings from the previous Audit.

- There has been partial implementation of Invoice Detail Review Prior to Payment Approval has been made. The SWMD Director partially developed new policies and procedures for the

Household Hazardous Waste contract for reconciliation and approval of invoices prior to authorization for payment.

- The SWMD Solid Waste Manager has developed new policies and procedure for the Household Hazardous Waste contract, which includes a statement to reiterate that site access is controlled by the City and no entry is permitted unless City Staff is present.
- The SWMD Director has developed new policies and procedures for the Household Hazardous Waste contract to ensure individuals working at a Household Hazardous Waste event or working at the permanent drop-off site have been sufficiently trained to their specific duties and job titles.
- The SWMD Director has developed a Contract Administration Plan (CAP) for the Household Hazardous Waste contract, which includes essential tasks to be performed and periodic reviews and monitoring items to be completed. The CAP also outlines responsible SWMD staff to administer the CAP. The Bond and Insurance checklists were also being utilized and maintained as part of the CAP.

Mr. David McCary said he was grateful for the Audit. He said they have implemented electronic time sheets instead of the manual system that had been used in the past. Information is now entered into the computer daily. Reconciliation of invoices are also done at that time.

Citizen Member Crews moved to accept the Audit. Council Member Lopez seconded the motion. The motion carried unanimously.

## **7. FY2015 Annual Audit Plan as of 2/28/15**

Mr. Barthold reported there were seventeen Audits to date. The parking Audit will be delayed to June/July to allow the Department to put new processes in place. He also reported that the Right of Way Fees for the Telecom Co. Audit has been delayed but will get done.

Chairman Saldaña proceeded to Executive Session at 12:28 p.m. to deliberate the appointment, qualifications, experience and other applicable criteria of prospective resident members of the Audit Committee, pursuant to Texas Government Code Section 551.074 Personnel Matters and discuss related legal issues, pursuant to Texas Government Code Section 551.071 Consultation with Attorney

Chairman Saldaña reconvened the meeting and announced that no action was taken at 12:44 p.m. He stated that the next Audit Committee Meeting will be on April 21, 2015.

There being no further discussion, Chairman Saldaña adjourned the meeting at 12:44 pm.

**ATTEST:**

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***Rey Saldaña, Chairperson***

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***Leticia M. Vacek, TRMC/MMC  
City Clerk***