

**AUDIT COUNCIL COMMITTEE MEETING  
MINUTES  
JUNE 16, 2015 at 11:30 AM  
“B” ROOM, MUNICIPAL PLAZA BUILDING**

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 Tom Nichta
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Leticia M. Vacek, <i>City Clerk</i> ; Erik Walsh, <i>Deputy City Manager</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Martha Sepeda, <i>Acting City Attorney</i> ; Hugh Miller, <i>Chief Technology Officer</i> ; Anthony Treviño, <i>Interim Police Chief</i> ; Troy Elliott, <i>Director of Finance</i> ; Ramiro Salazar, <i>Director of the Library</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Hollis Young, <i>Deputy City Attorney</i> ; Anthony Muro, <i>Chief of Staff, SAPD</i> ; Kathy Donellan, <i>Assistant Director</i> ; Tina Flores, <i>Assistant City Clerk</i> ; Carri Wiggins, <i>Vital Records Supervisor</i> ; Javier Salazar, <i>Public Information Officer, SAPD</i> ; C. Leo Luna, <i>Department Fiscal Administrator, Library</i> ; Sandy Paiz, <i>Audit Manager</i> ; Bruce Coleman, <i>Auditor</i> ; Lorenzo Garza, <i>Auditor</i> ; Gabriel Trevino, <i>Auditor</i> ; Reina Sandoval, <i>Auditor</i> ; Christopher Moreno, <i>Auditor</i> ; Maria Cristina Stavley, <i>City Auditor’s Office</i> ; Rebecca De La Garza, <i>Executive Assistant</i> ; Alexander J. Pytel, <i>Office of the City Clerk</i>
Others Present:	Jaie Avila, <i>WOAI</i> ; Courtney Roberts, <i>WOAI</i>

**CALL TO ORDER**

Chairman Saldaña called the meeting to order.

**Swearing In of Citizen Member Nichta**

City Clerk Leticia M. Vacek administered the Oath of Office and Statement of Officer to Citizen Member Tom Nichta.

**1. Approval of the Minutes from the May 5, 2015 Meeting of the Audit Committee**

Councilmember Lopez moved to approve the minutes of the May 5, 2015 Audit Council Committee Meeting. Citizen Member Nichta seconded the motion. The motion carried unanimously by those present.

## **2. AU14-026 Audit of San Antonio Police Department Off-Duty Employment Program**

Councilmember Gonzales entered the meeting at this time.

City Auditor Kevin Barthold reported that the Audit focused on security provided at all City Facilities as required by the Collective Bargaining Agreement (CBA) and City Policy. He explained that events held at City Facilities are staffed by SAPD. He mentioned a contract with the National Security Administration in which SAPD provides perimeter security for the NSA Facility through the Off-Duty Employment Program. He added that SAPD Security Detail is responsible for determining event security needs, scheduling, event billing, and payments. He stated that the Program was staffed in Fiscal Year 2014 by 9 personnel of which 8 were uniformed officers and 1 civilian. He added that the administrative fee of \$1.50 is added to each hour worked by off-duty Officers.

Mr. Barthold stated that the objective of the Audit was to examine compliance with the Department and CBA Policies. He added that the SAPD Off-Duty Employment Program was established by the CBA for compensation officers receive when working off duty assignments. He noted that the scope of the Audit included FY2013 and FY2014. He stated that the conclusion of the Audit found that controls were not effective or efficient to ensure compliance with Department Policy and the CBA. Additionally, areas of improvement have to do with revenue billing which was not being performed in a timely manner or recorded accurately. He noted that NSA billing was also behind schedule and that automated controls for scheduling had unreliable data due to documentation of scheduling changes not being maintained. He mentioned that in some cases officers had not gone through the appropriate cash handling training and that credit card information was not being properly secured when received.

Mr. Barthold reported that a financial analysis of Off-Duty Operations examining revenues compared to the cost of running administrative function found that the Program is operating at a loss. He noted that in Fiscal Year 2014 that loss was approximately \$872,000. He detailed NSA and Event Revenue compared to Personnel and Non-Personnel Expenditures for Fiscal Year 2014.

Mr. Erik Walsh noted that it was necessary to reassess personnel assignment to the Program and added that increased civilian would allow more officers to be assigned to Patrol Functions. He stated that costs to the General Fund should be done in concert with the rest of the fees charged by City Facilities in order to remain competitive and that the primary objective must be to contain and lower costs.

Interim Police Chief Anthony Treviño noted that improving efficiencies to ensure that processes are completed on time is a main focus and that efforts were underway to create an efficient and objective scheduling system in conjunction with ITSD. Mr. Walsh noted that it was important to ensure that all officers that wanted the chance to work received a fair opportunity to do so.

Interim Chief Treviño noted that future financial transactions will be handled by the Finance Department and that officers have completed the Cash Handling course as required. He added that the Police Department is actively working on increasing documentation to ensure policies and procedures are performed on a daily basis.

City Manager Sheryl Sculley reported that the City has civilianized 85 positions since 2006 and that the City Council could expect a budget recommendation later in the summer for increasing the number of civilians in this unit.

Councilmember Lopez asked how personnel assignments are evaluated. Mr. Walsh highlighted a number of criteria including weather, the type of event, the presence of alcohol, time of the event, and location.

Citizen Member Nichta asked how personnel and resources would be utilized to civilianize these positions. Mr. Walsh responded that the Finance Department would manage credit card transactions for events and ITSD would assist with scheduling needs. He added that event staff would be utilized to meet event needs as well.

Councilmember Lopez asked when scheduling and registration controls would be addressed. Interim Police Chief Treviño responded that a joint effort with ITSD was underway to develop new systems which would likely be available in October.

Councilmember Gonzales moved to accept the Final Report for the Audit of the San Antonio Police Department Off-Duty Employment Program. Councilmember Lopez seconded the motion. The motion carried unanimously.

### **3. AU14-008 Audit of the Office of the City Clerk Vital Records**

Ms. Sandy Paiz reported that the Office of the City Clerk is responsible for maintaining the official records of the City of San Antonio which includes the safeguarding, maintenance, and issuance of birth and death records in Bexar County. She stated that customers apply for certified certificates at the Vital Records Division Office, mail, or at four Public Library Branches that include Las Palmas, Great Northwest, Mission Branch, and Thousand Oaks. She added that the Division produced \$1.7 million in revenue for Fiscal Year 2014 and \$1 million for Fiscal Year 2015 thus far.

Ms. Paiz explained that the objective of the Audit was to ensure that Vital Records are adequately protected and issued in accordance with City and State regulations. She noted that the scope of the Audit was from October 2013 to November 2014. She reported that the conclusion of the Audit found that the Office of the City Clerk is in compliance with relevant City and State regulations and added that City Clerk Staff was very knowledgeable of relevant policies and procedures and effectively following policies and procedures.

Ms. Paiz noted that the Vital Records Staff have implemented controls to ensure that birth and death records are filed correctly and completely, records are adequately protected, birth and death certificates are issued only to eligible applicants, and revenue and bank note paper are adequately safeguarded. She did note one item in which a control had not been implemented-an automatic counter for situations where more than 10 Birth Certificates had been issued to an applicant. She added that per State regulations, these instances should be reported to the Vital Statistics Unit of the State of Texas and future requests for additional certificates are denied at the Local Level. She recommended that the City Clerk work with ITSD to develop necessary controls to prevent additional requests.

City Clerk Leticia M. Vacek reported that the Vital Records Division Staff electronically and manually flags all birth records where more than 10 Birth Certificates have been issued. Additionally and most importantly an electronic print restriction has been put in place with the assistance of ITSD. She noted that proper notification to the Vital Statistics Unit has been submitted to the State Registrar.

Ms. Sculley noted that birth and death records were previously managed by the Health Department but had been moved to the Office of the City Clerk and the Branch Libraries in an effort to make them more accessible to the community.

Citizen Member Nichta asked for clarification regarding the process of applying for a birth certificate. Ms. Vacek replied that a customer must complete an application, pay the appropriate fees, and present identification to ensure they are qualified to receive the requested record.

Chairman Saldaña noted the success of the audit and complemented the Vital Records Staff in achieving a clean report.

Councilmember Lopez moved to accept the report. Councilmember Gonzales seconded the motion. The motion carried unanimously.

#### **4. AU14-019 Audit of SA Public Library – Billing and Collection of Fines and Fees**

Ms. Paiz reported that the San Antonio Public Library is governed by a Board of Trustees appointed by the City Council, which is responsible for providing strategic oversight for the Library System. She stated that the Library Director oversees the Library System.

Ms. Paiz noted that the City operates 25 Library Branches and shares joint responsibility with Northeast Independent School District to operate a library branch located at Roosevelt High School. She added that in FY 2015 the operating budget for the Library was approximately \$35 million. She reported that the objective of the Audit was to ensure that controls over the Library's Processor Billing and Fees are adequate and that the scope of the Audit examined Fiscal Year 2013. She detailed \$1.1 million of revenue collected from fines and fees with \$3.7 million from Bexar County's Interlocal Agreement with the City to provide library services to County residents. She explained that \$1 million of collections was generated from late or lost patron accounts, printing services fees, and Library room rental fees.

Ms. Paiz concluded that the Audit found that standard processes do not exist to serve as effective controls to ensure that revenues and expenditures are adequately monitored for accuracy and compliance. She remarked that contract terms for recovery of fines and fees were not being monitored appropriately and that the Control Monitor was processing payments without conducting any form of verification. She added that although quarterly reports were available, there did not appear to be any form of reconciliation taking place to ensure that the quarterly amount was accurate. She noted that the selection of patron accounts to submit for collection was arbitrary and that the current process did not provide assurance that all delinquent accounts were identified and prioritized for submission. She stated that there was a separate process in place to handle employee delinquent accounts which the auditors were unable to validate.

Ms. Paiz reported that the San Antonio Public Library has a contract in place to provide and maintain coin operated public photocopiers. She stated that the Library is to receive 10% of revenue generated from the operation of the copiers and noted that there was no validation control in place to ensure that the Library received the appropriate commission. She added that Usage Reports were made available without evidence of reconciliation and that an inventory of the photocopiers was not in place.

Ms. Paiz explained that a contract should be in place for any room rental reservation and that an approved fee schedule should be followed to ensure that the room fee is appropriate. She stated that 58 room rentals did not have a contract on file and 67 were not recorded on the Outlook calendar per internal guidelines. She reported that due to lack of support it could not be determined if the fees reported in SAP were accurate.

Ms. Paiz reported that reviews of internal policies relating to customer refunds and adjustments found that justification and signatures were not included on some forms as required by Internal Policy. She noted that several refunds were not accounted for appropriately as they were not credited to the original General Ledger Account in accordance with policy. She detailed control deficiencies with the monitoring of revenue and Account Receivable General Ledger Accounts and added that Net Accounts Receivable General Ledger Balances were significantly misstated due to a journal entry incorrectly posted for \$8.5 million. She stated that it was important that a department review take place to ensure that department reports generated out of SAP are accurate for budgeting purposes and any management analysis that may take place.

Mr. Paiz noted that the Library was not in compliance with the City's IT Directives and that user password criteria had not been established and a periodic review of user accounts was not being conducted. She explained that four terminated employees still had active accounts and some employees had privileges that seemed inappropriate for their job titles. She stated that Library Management concurred with recommendations and have implemented positive corrective actions.

Mr. Ramiro Salazar reported that corrective actions have been implemented and that all issues should be fully addressed by the end of the fiscal year.

Mr. Ben Gorzell reported the Public Library is funded out of the General Fund and is budgeted \$30 to \$35 million. He noted that the findings related to approximately \$1 million in fines and fees that help offset the cost to the General Budget.

Mr. Xavier Urrutia stated that the San Antonio Public Library and the Parks and Recreation Department are going to be transitioning to automation of room rentals and payments. He added that online services would help increase availability and consistency as well as help address issues identified in the Audit.

Citizen Member Nichta asked for more information regarding the Library's Millennium System. Mr. Salazar replied that the Millennium System consolidates circulation and is used for monitoring item check outs. Citizen Member Nichta asked for clarification regarding the Bexar County Annual Fee. Ms. Sculley replied that the City of San Antonio receives funding to provide library services for residents of Bexar County. Citizen Member Nichta asked for more information regarding the \$8.5 million accounts receivable. Kathy Donellan stated that the account entry reflected outstanding customer accounts that were included in the City's yearly financial statements.

Councilmember Lopez moved to accept the report. Councilmember Gonzales seconded the motion. The motion carried unanimously.

## 5. FY2015 Annual Audit Plan as of 5/31/2015

Mr. Barthold proposed an amendment to the current FY 2015 Audit Plan by adding two audits including; an audit of the Henry B. Gonzalez Convention Center Expansion Project Contingency Funds to determine if funds are being spent properly and an audit of Aviation Property Leases at the San Antonio International Airport to determine if leases are being managed properly.

Councilmember Lopez moved to amend the FY 2015 Audit Plan to include the 2 additional audits. Citizen Member Nichta seconded the motion. The motion carried unanimously.

## 6. Executive Session

Chairman Saldaña recessed the Audit Committee into Executive Session at 12:49 p.m. to deliberate the security audit pertaining to the Information Technology Services Department SAP Security Controls, pursuant to Texas Government Code Section 551.076 (deliberation regarding Security Devices or Security Audits).

Chairman Saldaña reconvened the meeting at 1:03 p.m. and stated that no action was taken during the Executive Session.

There being no further discussion, Chairman Saldaña adjourned the meeting at 1:03 pm.

**ATTEST:**

\_\_\_\_\_  
*Rey Saldaña, Chairperson*

\_\_\_\_\_  
*Leticia M. Vacek, TRMC/CMC/MMC  
City Clerk*