

# AUDIT COUNCIL COMMITTEE MEETING MINUTES

SEPTEMBER 20, 2016 at 11:30 AM  
CITY HALL, MEDIA BRIEFING ROOM

Committee Present:	Councilmember Rey Saldaña, <i>District 4, Chair</i> Councilmember Alan E. Warrick II, <i>District 2</i> Councilmember Shirley Gonzales, <i>District 5</i> Citizen Member Tom Nichta
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Erik Walsh, <i>Deputy City Manager</i> ; Carlos Contreras, <i>Assistant City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Leticia Vacek, <i>City Clerk</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer &amp; Director of Finance</i> ; Mike Frisbie, <i>Director of Transportation and Capital Improvements</i> ; Mike Sewaya, <i>Director of Convention &amp; Sports Facilities</i> ; Heber Lefgren, <i>Director of Animal Care Services</i> ; Stephen Whitworth, <i>Assistant City Attorney</i> ; Melinda L. Uriegas, <i>Assistant City Clerk</i> ; Debra Ojo, <i>Assistant Director of Finance</i> ; Jose R. Correa, <i>Assistant Director of Building and Equipment Services</i> ; Michael Rodriguez, <i>Assistant to the Director</i> ; Ron Griego, <i>Facilities Administrator</i> ; Buddy Vargas, <i>Audit Manager</i> ; Mark Bigler, <i>Audit Manager</i> ; Sandra Paiz, <i>Audit Manager</i> ; Tina Flores, <i>Compliance Auditor</i> ; Christopher Moreno, <i>Auditor</i> ; Reina Sandoval, <i>Auditor</i> ; Gabriel Trevino, <i>Auditor</i> ; Natasha Leach, <i>Auditor</i> ; Cecilia Gonzalez, <i>Auditor</i> ; Ryan Evans, <i>Contract Coordinator</i> ; Rebecca De La Garza, <i>Office of the City Manager</i> ; Alexander Pytel, <i>Office of the City Clerk</i>

## CALL TO ORDER

Chairman Saldaña called the meeting to order.

### 1. Approval of the Minutes from the August 16, 2016 Meeting of the Audit Committee

Councilmember Gonzales moved to approve the Minutes of the August 16, 2016 Audit Council Committee Meeting. Citizen Member Nichta seconded the motion. The motion carried unanimously by those present.

### 2. AU16-001 Audit of Animal Care Services Metrics

Councilmember Warrick entered the meeting at this time.

Mr. Buddy Vargas reported that one of the Four Strategic Priorities of Animal Care Services was to increase and maintain its Live Release Rate which is calculated by comparing the total number of Live Animal Outcomes to the total number of Animal Outcomes. He stated that common Animal Outcomes include adoptions, return to owners, and rescues by Third Parties. He discussed the Audit Scope which reviewed Fiscal Year 2015 and the Audit Objective which was to determine if Animal Care Services Metrics are accurate and properly supported. He concluded that the Audit determined that Animal Care Services Metrics were accurate

and properly supported and that Rescue Partners were accurately reporting. He mentioned that the Audit was a clean report with no findings or recommendations.

Mr. Heber Lefgren, Director of Animal Care Services, thanked the Auditors for their work and collaboration.

Chairman Saldaña asked about openness of Third Parties. Mr. Vargas reported that the numbers provided by Third Parties were reviewed for accuracy and included information for rescues, return to owners, and euthanizations. Citizen Member Nichta requested additional information regarding practices of Third Parties. Mr. Lefgren reported that some Facilities were able to control intake and keep animals longer for recuperation.

Councilmember Gonzales asked for more information regarding partners. Mr. Lefgren replied that there were nine Rescue Partners that operate throughout the year with significant rescues and more than 100 partners who supplement said rescue efforts. Councilmember Gonzales asked for detail regarding the 90% Live Release Rate. Mr. Lefgren stated that the 90% was defined by the Industry as the No-Kill Rate.

Councilmember Warrick asked for information regarding the role of San Antonio Pets Alive. Mr. Vargas mentioned that San Antonio Pets Alive was the largest Rescue Partner. Councilmember Warrick moved to accept the audit report. Citizen Member Nichta seconded the motion. The motion carried unanimously.

### **3. AU16-006 Audit of the Office of the City Clerk Municipal Elections Contract**

Ms. Sandy Paiz reported that the Audit was requested by City Council and that the Office of the City Clerk was responsible for overseeing Municipal Elections in accordance with Texas Election Code. She stated that the Office of the City Clerk contracted with Bexar County Elections Office and paid approximately \$ 2 million in the past year for Election and Equipment Services expenses. She mentioned that the objective of the Audit was to determine if key components of the City's Municipal Elections Administration Process were accurately monitored, supported, and in compliance with the Election Services Contract Terms. She added that the scope of the Audit included Municipal Elections conducted from October 1, 2014 through February 29, 2016. She concluded that the Audit determined that the Municipal Elections Contract is being monitored properly with a thorough understanding of the Election Code. She noted that the Office of the City Clerk conducts regular meetings with Bexar County Elections Office. She recognized the Office of the City Clerk for achieving a clean report with no findings or recommendations.

Citizen Member Nichta asked how Bexar County determined the charges and costs in relation to other vendors. Mrs. Leticia Vacek replied that costs are pro-rated among the number of entities involved in the Election as well as the number of Polling Places and Precincts. She noted that the City of San Antonio was the largest participating entity in size within Bexar County; therefore, charged the most. Mr. Kevin Barthold added that the Audit reviewed the Allocation Model. Citizen Member Nichta asked if there were alternative providers of Election Services. Mrs. Vacek replied that all Bexar County entities were required to utilize Bexar County Election Services due to their grant funded purchase of Election Hardware and Software. Citizen Member Nichta asked for detail regarding the two elections conducted in November and December 2014. Mrs. Melinda Uriegas noted that the November 4<sup>th</sup> Election was a uniform election date with more entities involved while the December 9<sup>th</sup> Election was specific to the City of San Antonio; which required that the City pay 100% of the Election Cost.

Councilmember Warrick asked if this audit had been conducted previously. Mrs. Vacek replied that it had been conducted previously in conjunction with the Bexar County Auditor's Office. Mr. Barthold added that the internal audit was conducted over the entire Contract. He added that the audit examined if pricing was properly supported. Citizen Member Nichta asked of alternatives. Mrs. Vacek explained that the City of San Antonio could purchase and maintain its own equipment but would not be fiscally recommended.

Citizen Member Nichta moved to accept the report. Councilmember Warrick seconded the motion. The motion carried unanimously.

#### **4. AU15-011 Audit of Finance Department Utility Reporting Requirements**

Ms. Sandy Paiz reported that the Finance Department's Public Utilities Division provided regulatory oversight of CPS Energy (CPS) and the San Antonio Water System (SAWS). Said oversight includes review and analysis of all Utility Financial Transactions with the City for payment revenues and expenses for Utility Services. She stated that payments received by the City are allocated into the General Fund and were based on a percentage of the Utility's Gross Revenue. She mentioned payments in FY 2015 were \$292 million for CPS Energy and \$9 million for SAWS. She detailed the Audit objective which was to determine if required reporting and payments from City-owned Utilities were received, monitored, and accurate. She noted that the scope of the Audit included monthly payments made to the City between January 2014 and June 2015. She concluded that the Public Utilities Division had a Standard Reporting Process in place which included conducting monthly Variance/Trend Analysis of revenue payments due to the City which could be improved.

Ms. Paiz noted that the validation of the Utility's self-reported monthly Revenue Payments was not taking place for adjustments. She reported that the auditor's conducted reconciliations and noted the following issues:

- ❖ A variance totaling \$39,000 for Edwards Aquifer Authority fees reported which was a result of an underpayment to the Edwards Aquifer Authority.
- ❖ A \$260,000 variance between the Fiscal Year 2014 SAWS Monthly Payments compared to the 2014 Comprehensive Annual Financial Report which was not supported by the Public Utilities Division.

Ms. Paiz reported that CPS and SAWS deduct the cost of utilities used by the City's Controlled Structures including meters, light poles, and buildings. She added that a component of the Audit was to review if the information was accurate. She mentioned that the auditors requested a listing of properties from Risk Management Division which identified a variance of 756 property addresses that were listed on the monthly Utility Expense Reports but were not on the report obtained from Risk Management. She noted that 10 accounts were randomly selected for site visits which revealed that 4 out of 10 accounts were no longer controlled by the City but were still included on the City's monthly Utility Expense Reports. She stated that total expenses incurred for the 4 accounts in FY 2015 were approximately \$11,784. She concluded that without adequately monitoring the utilities' detailed expense information, the City is at risk of incurring expenses for invalid accounts which are ultimately deducted from the revenue owed to the City.

Mr. Troy Elliott thanked the auditors for their work and noted that Corrective Action Plans had been undertaken. He stated that Monthly Reporting Procedures had been strengthened with supporting documentation. He added that CPS Revenue paid to the City is analyzed by an Independent Audit.

Citizen Member Nichta asked how revenues paid to the City are calculated. Mr. Ben Gorzell replied that the amounts were based on a percentage of Gross Revenues. Citizen Member Nichta asked for detail regarding CPS's Independent Audit. Mr. Gorzell stated that the Independent Audit was similar to a Procedure Report reviewing issues of compliance. Citizen Member Nichta asked what procedures were in place to ensure that sold premises were no longer being charged to the City. Mr. Elliott replied that the Process was modified to strengthen reviews. Mr. Kevin Barthold mentioned that a Follow Up Audit was scheduled for next year's Audit Plan.

Councilmember Warrick asked how light outages are reported. Mr. Gorzell reported outages can be reported by citizens or CPS Night Crews. He noted that as more LED Street Lights are deployed; there are opportunities to have System Alerts included.

Chairman Saldaña asked for more information regarding the 2.7% Revenue Income to the City. Mr. Gorzell mentioned that a large Refinancing took place and it was determined that the City would take 2.7% of Gross Revenues with a cap of 5% revenue.

Citizen Member Nichta moved to accept the report. Councilmember Warrick seconded the motion. The motion carried unanimously.

## **FY 2016 Audit Plan Status**

### **5. FY 2016 Annual Audit Plan Status as of August 31, 2016**

Mr. Kevin Barthold reported that there were 25 reports issued this Fiscal Year. He explained that several additional audits were awaiting final acknowledgement and would be issued soon. He noted that the Planned Audit over Eastpoint Funding had previously been conducted by the Grants Monitoring Administration and would be cancelled. He mentioned that the Audit of the Alamodome Cleaning & Conversion Services had been cancelled as the item was currently open for bidding. He added that all other 2016 Audits were underway.

Councilmember Warrick asked of the Audit over Public Safety and a Response Time. Mr. Barthold reported that the Audit reviewed Fire and Police Services as well as 911 Applications and Response Times. He stated that the Audit was awaiting the management response and was nearing completion. He noted that the Audit Scope was FY 2015 through March 31, 2016.

No action was required for Item 5.

## **Other**

### **6. FY 2017 Proposed Audit Plan**

Mr. Kevin Barthold reported that the FY 2017 Proposed Audit Plan entailed an overall Risk Assessment for all City Departments and required approval by the Audit Council Committee as well as the City Council. He noted that 1,000 hours had been included in the Plan for unforeseeable occurrences and could change according to needs.

Citizen Member Nichta asked for detail regarding the Proposed Audit of Donations & Miscellaneous Gifts. Mr. Barthold clarified that the City receives donations and that Audit would review if donations were being spent accordingly.

Councilmember Warrick asked for more information regarding the Proposed Audit of the Energy Retrofit Project. Mr. Barthold reported that the Audit would review the Payback Period which covered the costs associated with improvements. He specified that Building and Equipment Services Department examines energy consumption of City Facilities.

Councilmember Warrick moved to forward the FY 2017 Proposed Audit Plan to the full City Council. The motion was seconded by Councilmember Gonzales. The motion carried unanimously.

## **Select High Profile Pre-Solicitation Briefings**

### **8. Construction Manager at Risk Services for the Terminal A/B Connector and Security Screening Checkpoint Expansion Project**

Mr. Mike Frisbie presented an overview of the Solicitation. He reported that the Project would be coordinated by Transportation & Capital Improvements Department on behalf of the Aviation Department and that the construction would be funded through Aviation Funds. He stated that the Project would make a connection between A and B Terminals at the San Antonio International Airport and would expand the Security Screening Checkpoint for Terminal A. He added that the Project would accommodate additional retail and that design would start later in 2016. He highlighted the Solicitation Requirements including the Evaluation Criteria, Additional Requirements, and Goal Setting Committee Members. He noted that there was significant outreach for the Project and provided a project timeline for completion. He mentioned that the selected contractor would be brought on throughout the Design Process in order to ensure feasibility as well as a guaranteed maximum price for the Project.

Councilmember Warrick asked for detail regarding risk. Mr. Frisbie replied that Liquidated Damages would be assessed if the Project was not completed on time and that inclusion of the contractor in the Design Process would give the City assurance of a guaranteed maximum price.

No action was required for Item 7.

### **9. Howard W. Peak Greenway Trails System Design Services**

Mr. Xavier Urrutia presented an overview of the RFQ for Greenway Trails System Design Services which would include Trail and Trailhead Design Layout, Civil Engineering, Landscape Architecture, and Supportive Services such as Environmental, Archeological, and Geotechnical Support. He reported that the Project was based on location acquisition and funded through the 2015 Sales Tax Initiative. He stated that there were approximately 27 miles of trail and that the RFQ would cover 12 miles with the remainder to be covered by the San Antonio River Authority (SARA). He highlighted the Solicitation Requirements including Evaluation Criteria, Additional Requirements, and the Goal Setting Committee. He discussed the projected timeline and indicated that the RFQ would be presented for City Council consideration in early 2017.

Councilmember Warrick asked for more detail on Urban Design. Mr. Urrutia highlighted the following:

- ❖ Increased markings at Street Level
- ❖ Additional entrances and exits for the Trail
- ❖ Increased Civic Engagement at Parks

Citizen Member Nichta asked for detail regarding SARA's role. Mr. Urrutia replied that SARA retained its own Procurement Process as a governmental entity.

No action was required for Item 8.

## **Select High Profile Post-Solicitation Briefings**

### **10. Event Attendant Services at the Alamodome**

Ms. Patricia Muzquiz Cantor provided an overview of the Solicitation and Project Timeline. She reported that the item was scheduled for full City Council on October 13, 2016. She highlighted the Project Scope and the Solicitation Requirements including the Evaluation Criteria as well as the Project Evaluation Committee. Mr. Troy Elliott stated that 3 vendors were disqualified as they did not meet the minimum requirements. Mr. Kevin Barthold reported that there were no issues identified by the City Auditor's Review.

Councilmember Warrick asked for information regarding the SBEDA Scoring for the vendors. Ms. Muzquiz Cantor replied that two of the firms were meeting Subcontracting Goals. Councilmember Warrick asked how the attendee experience would be enhanced. Ms. Muzquiz Cantor reported that the service had been provided previously but there was not adequate staff for many events. She mentioned that the Solicitation would allow for greater consistency. She noted that Event Attendants would be paid \$13 an hour.

Chairman Saldaña asked for information regarding scoring. Ms. Muzquiz Cantor reported that one of the firms had not previously provided the requested service for the City and was scored accordingly. Mr. Mike Sawaya added that the temporary workers were part of a Temp Pool and many had experience working at events for the Tobin Center and the AT&T Center. He explained that many workers utilized the work as a second income opportunity.

Councilmember Warrick moved to forward the item to the full City Council on October 13, 2016. Councilmember Gonzales seconded the motion. The motion carried unanimously.

### **11. Third Party Administrator for Workers' Compensation**

Ms. Debra Ojo discussed the Solicitation Overview and highlighted the Project Timeline. She reported that the Solicitation was designated as High Profile and that the current contract would expire on December 31, 2016. She stated that the item was scheduled for City Council consideration on October 6, 2016. She explained that the Project Scope included Claims Management, Medical Costs, Containment, Pharmacy Benefit Management, and the Risk Management Information System. She noted that the Solicitation Requirements included the Evaluation Criteria and detailed the Project Evaluation Committee Members. She noted that representation included Human Resources Department and Police & Fire Departments.

Ms. Ojo reported that Vendor A had received 71.81 points and Vendor B had received 65.66. Mr. Troy Elliott stated that 3 respondents were disqualified due to not meeting Subcontracting Requirements. Mr. Kevin Barthold noted that there were no issues identified by the City Auditor's Review.

Councilmember Warrick asked why Vendor A had no SBEDA scoring. It was reported that Vendor A did not apply for the SBEDA Program. Councilmember Warrick asked that City Staff inquire as to why vendors were not participating in SBEDA Programs. Councilmember Warrick moved to forward the Item to the full City Council without a recommendation. Citizen Member Nichta seconded the motion. The motion carried unanimously.

## **Consideration of Completed High Profile Solicitations**

### **12. On-Call Electrical Repairs Annual Contract for Furniture Fire Station #2 Replacement**

Mr. Troy Elliott reported that there were four respondents for the On-Call Electrical Repairs Solicitation but that one had been deemed non-responsive. He noted that all three were being considered for award. Mr. Kevin Barthold added that there were no issues identified by the City Auditor's Review.

Mr. Elliott stated that the Annual Contract for Furniture had been previously issued as an Invitation for Bid but was issued as a Request for Competitive Sealed Proposals in order to allow the respondents' Experience, Proposed Plan, and Customer Service to be considered in award recommendation. He noted that this would allow more opportunity for small minority-owned businesses to compete. He explained that there were no findings on the Due Diligence Review.

Mr. Elliot mentioned that the final item was the Fire Station #2 Replacement which was issued as a Request for Competitive Sealed Proposals. He mentioned that the scope of the project would include three Apparatus Bays, one EMS Bay, Living Quarters, and associated site work.

Councilmember Warrick asked how regulation could take place to determine which vendors participate in SBEDA and Mentoring Programs. Mr. Ben Gorzell reported that the Subcontractor Requirement was a mandatory requirement for consideration. Mr. Elliott mentioned that changing a solicitation to a Request for Competitive Sealed Proposals would allow more opportunities for other vendors to bid.

Citizen Member Nichta moved to forward the items to the full City Council for consideration. Councilmember Warrick seconded the motion. The motion carried unanimously.

## **7. Executive Session**

Chairman Saldaña recessed the Committee Meeting into Executive Session at 1:32 pm to deliberate the Security Audit pertaining to the Information Technology Services Department Wireless Network, pursuant to Texas Government Code Section 551.076 (Deliberation regarding Security Devices or Security Audits).

Chairman Saldaña reconvened the Committee Meeting at 1:44 pm and announced that no action was taken during the Executive Session.

Councilmember Warrick moved to accept the report. Citizen Member Nichta seconded the motion. The motion carried unanimously.

## **ADJOURN**

There being no further discussion, Chairman Saldaña adjourned the meeting at 1:44 pm.

## **ATTEST:**

---

*Rey Saldaña, Chairman*

---

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