

**AUDIT COUNCIL COMMITTEE MEETING
MINUTES**

**APRIL 25, 2017 at 1:00 PM
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
Committee Absent:	None
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Erik Walsh, <i>Deputy City Manager</i> ; Ben Gorzell, Jr., <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer & Director of Finance</i> ; Andrew Segovia, <i>City Attorney</i> ; Kevin Barthold, <i>City Auditor</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Mike Frisbie, <i>Director of TCI</i> ; Christie Chapman, <i>Assistant Director of TCI</i> ; Jorge Perez, <i>Director of BES</i> ; Larry Treviño, <i>Emergency Management Coordinator</i> ; Norbert Dziuk, <i>Procurement Operations Lead</i> ; Russell Huff, <i>Assistant Director of Finance</i> ; Edward Gonzales, <i>Assistant Director of DHS</i> ; Dale McNeill, <i>Assistant Director of SAPL</i> ; Kathy Donellan, <i>Assistant Director of SAPL</i> ; Michael Sindon, <i>Assistant Director of Economic Development</i> ; Michael Sawaya, <i>Director of Convention & Sports Facilities</i> ; Vance Meade, <i>Deputy Fire Chief</i> ; Steven Baum, <i>Assistant Director of SAPD</i> ; Sandra Paiz, <i>Audit Manager</i> ; Buddy Vargas, <i>Audit Manager</i> ; Mark Bigler, <i>Audit Manager</i> ; Tina Flores, <i>Compliance Auditor</i> ; Susan VanHoozer, <i>Auditor</i> ; Natasha Leach, <i>Auditor</i> ; Lorenzo Garza, <i>Auditor</i> ; Christopher Moreno, <i>Auditor</i> ; Rebecca De La Garza, <i>Executive Management Assistant</i> ; Cecily Hope Pretty, <i>Office of the City Clerk</i>

CALL TO ORDER

Chairman Saldaña called the meeting to order.

1. Approval of the Minutes from the February 21, 2017 Meeting of the Audit Committee

Councilmember Gonzales moved to approve the Minutes of the February 21, 2017 Audit Council Committee Meeting. Citizen Member Nichta seconded the motion. The motion carried unanimously by those present.

External Audit

2. Results of the Fiscal Year 2016 External Financial Audit and Presentation of Related Reports

Mr. Troy Elliott explained the external audit requirements. He noted that the external audit is conducted by outside firms and focuses on the quality of internal controls for City accounts.

Mr. Santos Fraga introduced himself as the Lead Auditor and Mr. Mark Sewell as the Senior Manager. He noted that they completed the audit on time according to the original plan. He stated that the Financial Audit and Comprehensive Annual Financial Report (CAFR) had no findings and resulted in an Unmodified (“Clean”) Opinion. He stated that for the compliance portion of the audit; there were no findings in the seven programs tested for Fiscal Year 2016 and it resulted in an Unmodified Opinion. He added that staff are doing well tracking grant monies. He stated that the audit of the Passenger Facility Charge Program resulted in an Unmodified Opinion. He discussed the required communications involved in the audit process and noted that he encountered no difficulties while conducting the audit. He mentioned there were some financial misstatements found in the process.

Councilmember Warrick entered the meeting during Mr. Fraga’s presentation.

Mr. Sewell stated that there were some uncorrected misstatements but they were found to be immaterial to the overall Financial Statements. He noted that the discrepancies occurred due to timing differences but the end-of-year balances were ultimately correct. He mentioned the corrected misstatement related to the Consolidated Rental Car Special Facilities Project (CONRAC) and explained the different categories of Management Letter Comments. He stated that there were no Material Weaknesses or Control Deficiencies found. He noted that there was one Significant Deficiency regarding CONRAC. He explained that the deficiency was due to an incorrect recording of reimbursements as revenue rather than as a transfer between Airport funds but it was corrected as a result of the audit process.

Citizen Member Nichta asked how a one sided entry could have been made leading to the error. Mr. Sewell responded that the Airport had both trustee accounts and operating accounts on the books and did not account for expenditures out of the trustee accounts.

Mr. Elliott provided an overview of previous audits. He noted that the City has a historically quick turnaround for the CAFR and is continuing to work on reducing the reporting time. He stated that the number and significance of audit findings has decreased dramatically over the last decade. He discussed the reorganization of the Finance Department to continue improving standards and financial reporting. City Manager Sheryl Sculley added that allowing Shared Services Employees to work in their respective departments but report centrally to Finance increased standardization and consistency for financial matters as well as procurement and HR policies. Mr. Elliott mentioned the Finance Comprehensive Strategic Plan in place that will allow for ongoing improvements within the City.

Chairman Saldaña thanked the auditors for their presentation. He remarked that it was an impressive audit result and congratulated the City Employees on the outcome.

Councilmember Warrick asked Mr. Elliott if the employees involved in the audit process were dedicated full-time. Mr. Elliott responded that the employees were sharing time in order to continue with normal, day-to-day operations while compiling the report with the auditors. Councilmember Warrick asked if the audit report could be compiled more quickly if there were a dedicated employee. Mr. Elliott replied that it would be hard to have the necessary, detailed knowledge for the audit report without being involved in day-to-day processes. Councilmember Warrick asked how the City of San Antonio compares to other top cities across the country. Mr. Elliott responded that San Antonio is one of the top cities in terms of audit performance. Mrs. Sculley referenced previous years' Management Letters with several findings and with some repeated findings across years. She noted that having only one minor finding within a \$2.5 billion Operating & Capital Budget shows vast improvement. Mr. Fraga noted that cities of similar size to San Antonio are less timely in their reporting by comparison. Mr. Sewell stated that the City of San Antonio provides drafts of the report throughout the process rather than waiting until the end. He added that it would be difficult for one dedicated City Employee to be able to respond to the various requests from multiple auditors and it would not be beneficial to the process. Councilmember Warrick asked if there were best practices used by other cities that the City of San Antonio has not yet adopted. Mr. Fraga replied that San Antonio is at the leading edge and to continue focusing on employee retention and skills. Councilmember Warrick thanked the auditors for their work.

Councilmember Gonzales thanked the auditors for their report and asked about a reduction in the number of programs from 21 to 7. Mr. Elliott replied that many of the past programs were from the American Recovery and Reinvestment Act of 2009 (ARRA) and a dwindling of those funds has led to less City Programs. Mr. Sewell added that the programs that were funded through ARRA were considered high risk and had to be audited as a result. Mr. Elliott clarified that there are many programs that the auditors did not select for testing. Councilmember Gonzales asked if the programs audited were selected based on dollar amount. Mr. Sewell responded that dollar amount, staff turnover, prior audit findings, and high risk funding all contributed to the selection process. Councilmember Gonzales asked if the large grants included funding for staff. Mr. Sewell replied that most grants to the City include a staffing component. Councilmember Gonzales asked how much of the City's budget was funded through grants. Mr. Gorzell replied that it was over \$100 million. Councilmember Gonzales asked if this audit addressed performance and usage of funds. Mrs. Sculley responded that this audit addressed financial compliance and that performance is addressed in internal audits.

Chairman Saldaña stated that he felt the positive audit result was a result of Department and staff stability and thanked the auditors again for their presentation.

No action was required for Item 2.

Final Reports to be Discussed

3. AU16-009 Audit of the Department of Human Services Delegate Agency Monitoring

Mr. Buddy Vargas stated that the goal of the audit was to determine if DHS monitoring efforts of Delegate Agencies are timely, inclusive of key contract terms, and sufficiently documented. He

noted that in FY 2016, DHS partnered with 60 Delegate Agencies for a total of 97 programs serving the public with a budget of approximately \$18.5 million. He stated that there were no findings and the controls in place for monitoring the Delegate Agencies and their payments were sufficient. He offered no recommendations based on the audit.

Citizen Member Nichta asked if the auditors looked at whether DHS was using the proper performance measures or if the audit examined the efficacy of the programs. Kevin Barthold replied that they examined whether the programs involved were using the performance measures specified in the Delegate Agency Contracts. Mr. Vargas added that the audit monitors the Delegate Agencies on a monthly basis to ensure the Agencies are conducting the work for which they are funded and are reporting on their performance regularly. Citizen Member Nichta asked how the Delegate Agencies differ from those that receive funding from other charitable Agencies. Mrs. Sculley responded that many are the same and receive funding from multiple sources. She noted that there is a competitive process in place every two years that evaluates the efficacy of the programs before they are selected and presented to City Council. Mr. Gonzales added that they work closely with United Way to align priorities for the Delegate Agencies. Citizen Member Nichta asked how the 20 programs in question in the audit were selected. Mr. Vargas responded that they try to get a mix of sizes and budgets to ensure there is consistency in monitoring.

Councilmember Warrick asked if it was possible to have a consolidated list of people served by the Delegate Agency Programs to track them and retain them in the program. Mr. Gonzales responded that there is a data system in place for individuals in a homeless track but outside of that track; they were still working on creating a system. He noted that it had not been put in place yet due to the complexity of the data management system and the current lack of federal funding. He stated that one of the department's goals for the next Fiscal Year is to improve tracking of individuals. Councilmember Warrick asked if they should notify the Delegate Agencies that a tracking system is part of the Department's goals so they could incorporate it into their proposals for the next funding cycle and potentially earn benefits in their scoring. Mr. Gonzales responded that the current goal is to streamline the process of receiving Delegate Agency metrics electronically through an automated contractual management system.

Mr. Barthold noted that Haven for Hope uses the Homeless Management Information System (HMIS) to track their participants but other agencies are still working toward using that system or a similar one.

Councilmember Warrick moved to approve the audit. Citizen Member Nichta seconded the motion. The motion carried unanimously.

4. AU15-009 Audit of the Finance Department Right of Way Charges to Telecom Companies

Mr. Mark Bigler stated that the objective of the audit was to determine if the Time Warner Cable and AT&T telecom providers are assigning customers to the correct municipality for the purpose of remitting telecom right of way (ROW) fees to the City. He noted that current fees are \$1.26 per month per landline for residential customers and \$4.20 per month per landline for commercial customers. He stated that the City currently receives approximately \$15 million per year in these ROW fees. He explained that the audit examined the top four providers who

account for 90% of those fees. He stated that they obtained customer information from the companies for the time period of October-December 2014 and used the GIST ArcMap System to see if the companies were assigning customers to the correct municipality code. He noted that some customers outside San Antonio were remitting fees to the City and some within San Antonio were remitting fees to other municipalities but that the amounts mostly cancelled each other out. He stated there were no findings and no recommendations as a result of the audit.

Chairman Saldaña asked who generated the audit. Mr. Barthold replied that it was generated internally as a result of their 2015 plan to get information from telecommunications companies.

Citizen Member Nichta asked if there were any entity large enough for the incorrectly assigned municipalities to make a significant financial impact. Mr. Bigler responded that a large commercial customer being incorrectly assigned could lead to a significant loss of revenue from that customer. Citizen Member Nichta asked for clarification on how the telecommunications companies provided their information for the audit. Mr. Bigler explained that some information was based on potential customers whereas some was based on actual customers.

Councilmember Warrick moved to approve the audit. Citizen Member Nichta seconded the motion. The motion carried unanimously.

5. AU16-021 Audit of San Antonio Fire Department Public Safety Deployment Reimbursements

Ms. Sandra Paiz stated that the audit was requested by executive management and the objective of the audit was to determine if SAFD is receiving reimbursement for Deployment Services timely and in accordance with interagency agreements. She explained that the Fire Department participates with Federal and State Agencies for disaster recovery and relief missions and the City is to be reimbursed for associated costs. She stated that in Fiscal Years 2015 and 2016, the San Antonio Fire Department participated in 23 deployments and was reimbursed for nearly \$1.1 million in deployment expenses. She stated that the audit found that the deployment services are properly managed, the operational guidelines used are current, inventory management is effective, and deployment officers meet all required qualifications. She noted that they identified fiscal and administrative processes needing improvement in order to be effective internal controls. She stated that formal reviews are not conducted by fiscal personnel to verify the validity and accuracy of billing reports and reimbursements. She stated that the audit found discrepancies between claim submission forms and their associated timesheets as well as discrepancies with reimbursement amounts. She noted a lack of segregation of duties in that the payroll manager in charge of recording exception time in Telestaff could also approve the payroll.

Chairman Saldaña asked if there was any response from the Fire Department. Deputy Fire Chief Vance Meade responded that the Department had requested the audit to ensure compliance with State and Federal Rules. He stated that the Department agreed with the audit findings and implemented new processes based on the recommendations. He noted that a Compliance Officer was added to improve training and compliance.

Citizen Member Nichta asked if an individual could turn down a selection for deployment from an agency. Deputy Chief Meade replied that they do not force staff to go but they typically want

to go. Citizen Member Nichta asked for clarification regarding charges for use of equipment. Deputy Chief Meade responded that the Department charges for use of equipment and those charges are mandated at the State Level in addition to charging for variable costs such as fuel. Citizen Member Nichta asked why only 20 of the 23 deployments during the scope of the audit were included in the results. Ms. Paiz replied that there were three deployments still being processed when the audit was completed and therefore; they were not included in the findings. Citizen Member Nichta asked if the payout rate could be affected by salary changes during the processing period. Mr. Barthold replied that the payout rate was based on the individual's salary at the time of deployment. Citizen Member Nichta asked how overtime was billed if an individual went into overtime as the result of a deployment. Mr. Barthold replied that these cases are unusual due to breaks between deployment and non-deployment but reimbursements are not always exact in these situations. Citizen Member Nichta asked why the City pays out for 24 hours regardless of actual hours worked when the Agencies only reimburse for the actual hours worked. Deputy Chief Meade replied that the Agencies do not account for the additional activities that may be involved in a deployment such as travel time. Citizen Member Nichta asked about untimely receipt of reimbursements and how they were handled in the Finance System. Mr. Elliott stated that once reimbursement requests are submitted to the Agencies, an invoice is created in the system and the Finance Department follows up with the Fire Department in order to continue pursuing payment. Deputy Chief Meade noted that the City is not required to participate in the Interagency Agreements and timely reimbursements have improved to encourage ongoing participation.

Citizen Member Nichta moved to approve the audit. Councilmember Warrick seconded the motion. The motion carried unanimously.

FY 2017 Audit Plan Status

6. FY 17 Annual Audit Plan Status as of March 31, 2017

There was no discussion on Item 6 and no action was required.

Select High Profile Pre-Solicitation

7. Airport Advertising Concession [Aviation]

Mr. Russ Handy stated that the airport advertising concession was estimated to bring in \$7 million in revenue over a 10-year term. He noted that the current contract would expire October 31, 2017. He noted that previous contracts were exclusive agreements in which the City could not have any other advertising or sponsorship without asking the contractor. He stated that after investigating other airport advertising contracts nationally, the upcoming Request for Proposals would be non-exclusive. He reviewed the requirements for the RFP and noted that since the advertising would be in an area of the airport subject to Federal Funding; it would be subject to the Airport Concessions Disadvantaged Business Enterprise (ACDBE) Project rather than SBEDA. He stated that the goal was to bring the contract for City Council Consideration no later than November 2, 2017.

Chairman Saldaña asked for clarification about the current RFP versus the general airport concession. Mr. Handy replied that this was for the advertising portion alone. Mr. Carlos

Contreras stated that the current contract-holder sells ads and the City receives a portion of the revenue. Chairman Saldaña asked about the status of the various concession contracts at the airport. Mr. Handy replied that the current expiration dates were mixed due to terminal construction but that a new package for food, beverage, and retail RFPs would come before the Committee in the near future.

Councilmember Warrick asked what percentage the City would receive and how much the City currently receives. Mr. Handy replied that the percentage had not yet been specified within the RFP.

Citizen Member Nichta asked where exactly in the airport the advertising would be. Mr. Handy replied that it would be a mix of locations and media.

No action was required for Item 7.

8. Digital Community Kiosks [Innovation]

Mr. Jose De La Cruz stated that the solicitation was part of the Fiscal Year 2017 Smart City Program. He stated that the proposed contract would be a 5-year term with the option to renew each year for an additional year up to 9 years total. He reviewed the proposed kiosk content and the criteria for the RFP. He stated that part of the RFP required English and Spanish language content at minimum and additional languages were requested. He stated that out of 92 vendors in the Central Vendor Registry; 5 would be targeted. He stated that the RFP would be released in early May 2017 and brought for City Council consideration in late August 2017.

Councilmember Gonzales inquired regarding the cost of each kiosk. Mr. De La Cruz stated that each kiosk costs \$35,000 but part of the cost may be recovered through digital advertising. Councilmember Gonzales asked about the placement and lifespan of the kiosks. Mr. De La Cruz replied that the kiosks could be either indoor or outdoor but they were most likely going to be in outdoor locations. Councilmember Gonzales asked if the kiosk information could also be provided through an app. Mr. De La Cruz replied that some vendors provide that option and it would be included in the RFP. Ms. Maria Villagomez stated that the kiosks would have targeted information and advertising related to their placement sites. She noted that the initial sites under consideration were San Antonio International Airport, the Alamodome, and Hemisfair. She stated that VIA may partner with the City to provide bus route information through the kiosks. She noted that the RFP included an option for payment through the kiosks for local attractions.

Councilmember Warrick asked what the vendors expected in terms of revenues. Mr. De La Cruz stated that they would allow the vendors to specify that in the RFP. Councilmember Warrick asked about the mobility of the kiosks. Mr. De La Cruz replied that the vendors would be selecting the kiosk sites as part of the RFP. Ms. Villagomez added that the current draft of the RFP did not include the option for kiosk relocation but it can be added.

No action was required for Item 8.

9. Total Management of the Growdon Road Vehicle Storage Facility [SAPD]

Mr. Steven Baum stated that the RFP was for a multi-year contract to manage the Growdon Road facility and its impounded vehicles. He noted that the estimated value was \$6 million a year for a total of \$47 million over the term of the contract. He stated that the current contract was set to expire in September 2017 and the new proposed term was for 6 years with the option for two, 1-year renewals. He explained that while the facility is City-owned, the contract involves secure services and auction services. He discussed the solicitation requirements and noted that SBEDA subcontracting requirements did not apply to this contract. He stated that 24 vendors were targeted for outreach. He stated that the Project Evaluation Committee included an outside agency and they had reached out to Bexar County to fill this role. He stated that the RFP would be released May 1, 2017 and Council Consideration was targeted for mid-September with a contract start date of October 1.

Citizen Member Nichta asked of Bexar County's involvement and if the facility was shared with other entities. Mr. Baum replied that it was for City use only but the County contracts for similar services and therefore; could provide knowledge during the process.

No action was required for Item 9.

10. 2017 Bond Design Consultant Selection [TCI]

Mr. Mike Frisbie discussed the City's involvement with the community in order to create the projects for the Bond package and outlined each of the six components of the Bond. He noted that the Bond package would not require a property tax increase. He stated that \$350 million of the \$850 million Bond came from leveraged funding from other agencies. He noted that there were some projects that were already in process due to funding from other sources but 105 of the 180 Bond projects would be subjected to a mass selection process for design firms. He explained that this would allow the Bond Program to be delivered more efficiently and provide opportunities for many designers. He stated that if the Bond program was accepted by voters; the RFQs would be released May 8, 2017 in three parts: civil engineering, landscape architecture, and architecture. He discussed SBEDA goals and points and noted goals of 30% for small business, 20% for minority and women-owned businesses, and 3% for African-American-owned businesses. He stated that submittals would be due June 16, 2017 and they would be evaluated by committees including City Employees, SAWS, and CPS Energy. He discussed the mass selection timeline and stated that the design consultant selection would come before full City Council in October 2017.

Councilmember Warrick asked how the SBEDA goal percentages compared to the previous Bond package. Mr. Michael Sindon replied that the last package did not separate out prime contractors and subcontractors as the currently proposed package did. Ms. Christie Chapman stated that they had exceeded their goals for the last package but that it had not included an AABE Goal. Councilmember Warrick asked what the dollar amounts were for the participants in the last Bond. Mr. Frisbie responded that they would have to calculate those amounts and provide them at a later date.

Citizen Member Nichta asked if the drainage component covered low water crossings. Mr. Frisbie stated that all street projects addressed drainage issues but those that focus on low water crossings were part of the drainage portion of the Bond.

Chairman Saldaña asked how the solicitation process for this Bond differed from the processes in the past. Mr. Frisbie noted that this was the first time that points were included for small businesses. He stated that the goal for the current year was to make more subcontractors prime contractors. Chairman Saldaña asked of the review process. Mr. Frisbie discussed future City Council meetings and Audit Committee meetings and noted that the full City Council would be able to see if the goals were being met by their meeting in October.

Councilman Warrick asked of the projects that were not included in the mass selection process. Mr. Frisbie responded that some were already in other previously discussed categories that had design or construction in process. He noted that Council had already approved some on-call firms that could complete smaller projects but City Council would be involved in the approval process for all projects.

No action was required for Item 10.

Consideration of High Profile Solicitations for Release

11. Distributed Antenna System [Aviation]

On-Call Remediation, Restoration, and Recovery Services [Aviation]

Annual Contract for Elevator and Escalator Preventive Maintenance for City Facilities [BES]

Annual Contract for Preventative Maintenance and Repairs of HVAC [Fire]

Media, Cataloging and Digital Processing Services [Library]

Annual Contract for Landscaping Services [Library]

There was no discussion on Item 11 and no action was required.

Consideration of Completed High Profile Solicitations

12. Annual Contract for Custodial and Supplemental Conversion Services at the Alamodome [CSF]

Mr. Elliott stated that due diligence had been conducted. He reported that there were 20 attendees at the pre-submittal conference and four responses were received. He stated that three of the four did not qualify due to not meeting the subcontracting goal or presenting incomplete submissions. Mr. Barthold noted that there were no conflicts with the remaining firm.

Councilmember Warrick moved to forward Item 12 to the full City Council. Councilmember Gonzales seconded the motion. The motion carried unanimously.

ADJOURN

There being no further discussion, Chairman Saldaña adjourned the meeting at 3:06 pm.

ATTEST:

Rey Saldaña, Chairman

Leticia Y. Saenz
Deputy City Clerk

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