

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE
MEETING MINUTES
DECEMBER 5, 2017 at 9:00 AM
MUNICIPAL PLAZA BUILDING, B ROOM**

Committee Present:	Councilmember John Courage, <i>District 9, Chair</i> Councilmember Roberto C. Treviño, <i>District 1</i> Councilmember Clayton Perry, <i>District 10</i>
Committee Absent:	Citizen Member Tom Nichta
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Andy Segovia, <i>City Attorney</i> ; Ben Gorzell, Jr., <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer & Director of Finance</i> ; Peter Zaroni, <i>Deputy City Manager</i> ; Craig Hopkins, <i>Director of ITSD</i> ; Patsy Boozer, <i>Chief Information Security Officer</i> ; Kevin Goodwin, <i>Deputy Director of ITSD</i> ; John Rodriguez, <i>Assistant Director of ITSD</i> ; Dale McNeill, <i>Assistant Director of SAPL</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Mark Triesch, <i>Assistant City Attorney</i> ; Ray Rodriguez, <i>Assistant City Attorney</i> ; Tina Flores, <i>Compliance Auditor</i> ; Mark Bigler, <i>Audit Manager</i> ; Terri Hernandez, <i>Auditor</i> ; Gabe Trevino, <i>Auditor</i> ; Justin Renteria, <i>District 1</i> ; Jay Podjenski, <i>District 1</i> ; Mario Hune, <i>District 6</i> ; Paul Jimenez, <i>District 10</i> ; Lauron Fischer, <i>Executive Management Assistant</i> ; Cecily Hope Pretty, <i>Office of the City Clerk</i>
Others Present:	Bhakti Patel, <i>Grant Thornton</i> ; Scott King, <i>Grant Thornton</i> ; Michael Bernard, <i>Dykema Cox Smith</i>

CALL TO ORDER

Chairman Courage called the meeting to order.

1. Centro Audit Plan [Finance]

Chairman Courage expressed his concern with recent events regarding embezzlement at Centro San Antonio. He recalled the City's audit presentation regarding Centro in August 2017 and noted that he had requested a follow-up audit within a year due to the lack of internal controls and oversight revealed during the audit process. He stated that in the future, he expected the Audit and Accountability Committee to examine findings more closely and make requests beyond the original scope of the Committee if necessary. He asked if Centro had received a copy of the City's Audit Report. City Auditor Kevin Barthold replied that while he had not personally sent a copy of the report to Centro, he was aware that City Management had discussed findings with Centro's Leadership.

Mrs. Sculley noted that the audit conducted by the City Auditor's Office was a Contract Compliance Audit rather than a Financial Audit and therefore they would not have been able to detect fraudulent activity outside that scope. She stated that the original audit was

conducted in 2015 and findings had been addressed with corrective action by the time results were presented to the Committee in August 2017. She noted that an additional audit would be undertaken to guarantee Public Improvement District (PID) funds were not involved in the embezzlement and a follow-up would be conducted as requested by Chairman Courage.

Councilmember Treviño recommended that the City take recent events as an opportunity to strengthen its relationship with Centro San Antonio and to ensure clear communication and transparency moving forward.

Councilmember Perry acknowledged that the embezzlement resulted in not only loss of funds but loss of public trust and that future audits needed to broaden their scope to ensure fiscal responsibility with taxpayer dollars. Mrs. Sculley stated that upon the Mayor's request, the City Auditor and City Attorney would collaborate on a Work Plan to conduct more consistent checks on City-funded organizations.

Councilmember Courage asked of next steps with Centro. Mr. Gorzell stated that external audit firm Grant Thornton had been engaged under a provision of their current contract with the City to perform a forensics analysis of Centro's PID-associated finances and to confirm that reimbursements were eligible and compliant. Chairman Courage asked if the Centro accountant responsible for the embezzlement was also responsible for reimbursement requests. Mrs. Sculley stated that they did not yet know who had responsibility for final review of reimbursement requests. Mr. Gorzell stated that Centro had hired the accounting firm RSM to conduct a forensics accounting review that was already in process and no additional missing funds had yet been identified.

Councilmember Treviño stressed the importance of verifying the authenticity of documentation provided with reimbursement requests.

Chairman Courage asked of the timeline for the forensics audit. Mr. Gorzell replied that they would examine Centro's finances post-Fiscal Year 2015 due to the fact that the last legitimate audit appeared to have been performed in FY 2015. Chairman Courage asked if the scope needed to include the entirety of the tenure of the accountant who had embezzled funds. Mr. Gorzell replied that the timeline was flexible based on Grant Thornton's findings and recommendations. Chairman Courage asked of plans to update the Audit and Accountability Council Committee on the audit status. Mr. Gorzell replied that they anticipated a presentation of results in January or February 2018. Mrs. Sculley added that if the results were delayed, the Committee would receive a status update.

Councilmember Perry asked of communication with Centro's members regarding the audit process. Mrs. Sculley replied that the City planned to wait until the audit was completed to communicate with PID Members. Michael Bernard, Attorney for Centro, stated that the Centro Board and Centro Alliance were apprised of the audit but did not believe PID Members had yet been contacted. Councilmember Perry asked of the funding source for costs associated with the audit. Mr. Gorzell replied that they planned to receive reimbursement from the PID Fund. Councilmember Perry asked if restoration of funds for costs associated with the audit would be pursued as part of a legal process. City

Attorney Andy Segovia replied that any attempts for restitution during the criminal process would include costs to the City.

Chairman Courage stated his expectation for timely updates and thanked Staff for their presentation.

No action was required for Item 1.

Consideration of Pre-Solicitation High Profile Items

- 2. On-Call Environmental Consulting [Aviation]**
- 3. Annual Job Order Contract for On-Call Electrical Services [Aviation]**
- 4. Integrated Library System [Library]**

Councilmember Treviño moved to accept Items 2 through 4. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

Consideration of Post-Solicitation High Profile Items

- 5. Noise Operations Monitoring System [Aviation]**
- 6. Common Use Passenger Processing System – Phase 1 [Aviation] – PULLED FROM AGENDA**
- 7. Annual Contract for Landscaping Services [Library]'**

Item 6 was pulled from the agenda by staff.

Councilmember Perry moved to forward Items 5 and 7 to the full City Council for consideration. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

8. Executive Session

Chairman Courage recessed the Committee Meeting into Executive Session at 9:47 am to deliberate the following Information Services Technology Department security audits pursuant to Texas Government Code Section 551.076, Deliberation regarding Security Devices or Security Audits:

- Penetration Testing
- Virtual Server Security
- Windows Server Vulnerability Management
- Unauthorized Software
- Software Licensing

Chairman Courage reconvened the meeting at 10:35 am and announced that no action was taken in Executive Session. He noted that due to time constraints, the Committee did not have the opportunity to discuss all of the ITSD Security Audits.

Councilmember Treviño moved to continue Item 8 to the next meeting. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

Consideration of items for future meetings

Councilmember Treviño stated that the Arts, Culture, and Heritage Council Committee had requested an audit of the Tricentennial Office and those findings would be present to the Audit and Accountability Council Committee at a future meeting.

ADJOURN

There being no further discussion, Chairman Courage adjourned the meeting at 10:36 am.

ATTEST:

John Courage, Chairman

*Leticia Y. Saenz
Deputy City Clerk*