

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE
MEETING MINUTES
APRIL 17, 2018 at 9:30 AM
CITY HALL, MEDIA BRIEFING ROOM**

Committee Present:	Councilmember John Courage, <i>District 9, Chair</i> Councilmember Roberto C. Treviño, <i>District 1</i> Citizen Member Priscilla Soto Citizen Member Judy Treviño
Committee Absent:	Councilmember Clayton Perry, <i>District 10</i>
Staff Present:	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> ; Doug Melnick, <i>Chief Sustainability Officer</i> ; Heber Lefgren, <i>Director of Animal Care Services</i> ; Lori Steward, <i>Director</i> <i>of Human Resources</i> ; Krystal Strong, <i>Assistant Director of</i> <i>Human Resources</i> ; Russell Huff, <i>Assistant Director of</i> <i>Finance</i> ; Bob Nordhaus, <i>Assistant City Attorney</i> ; Chris Hebner, <i>Assistant City Attorney</i> ; Buddy Vargas, <i>Audit</i> <i>Manager</i> ; Gabriel Treviño, <i>Audit Manager</i> ; Danny Zuniga, <i>Auditor</i> ; Rebecca Moulder, <i>Auditor</i> ; Lorenzo Garza, <i>Auditor</i> ; Nastasha Leach, <i>Auditor</i> ; Holly Williams, <i>Auditor</i> ; Sheryl Wardashki, <i>Auditor</i> ; Douglas Francis, <i>Auditor</i> ; Lauron Fischer, <i>Executive Management Assistant</i> ; Cecily Hope Pretty, <i>Office of the City Clerk</i>
Others Present:	Angela Dunlap, <i>Grant Thornton</i> ; Bhakti Patel, <i>Grant</i> <i>Thornton</i> ; Richard Martinez, <i>Schrivers, Carmona &</i> <i>Company</i> ; Theresa Y. Britts, <i>Britts & Associates</i> ; Robert J. Williams, <i>Robert J Williams CPA</i> ; Deborah Fraser, <i>Armstrong, Vaughan & Associates</i>

CALL TO ORDER

Chairman Courage called the meeting to order. Items 2, 3, 5, and 6 were addressed jointly at this time.

Final Internal Audit Reports to Be Discussed

- 2. AU17-001 Audit of Animal Care Services Brooks Spay & Neuter Clinic**
- 3. AU17-F03 Follow-up Audit of Human Resources Hiring Practices**
- 5. AU17-007 Audit of Finance Department Donations and Miscellaneous Gifts (Citywide)**
- 6. AU17-C02 Audit of Finance Department Sales Tax Recovery Contract**

Chairman Courage recommended approval of Items 2, 3, 5, and 6 due to no audit findings.

Councilmember Treviño moved to accept the audits for said items. Citizen Member Treviño seconded the motion. The motion carried unanimously by those present.

Item 4 was addressed at this time.

4. AU17-016 Audit of Office of Sustainability Energy Efficiency Fund

Buddy Vargas stated that the objective of the audit was to determine if oversight of the Energy Efficiency Fund was adequate to include the allocation of funds and monitoring of performance metrics. He noted that the Energy Retrofit Program was created as a conservation effort to yield long-term energy and water savings for City Properties. He stated that the Energy Efficiency Fund was the primary mechanism to capture savings and reinvest in future projects. He noted that the scope of the audit included Fiscal Years 2015 and 2016 during which a combined 42 projects were completed for a total of \$400,000 in savings. He stated that projects were verified as to whether they were allowable, adequately supported, and properly approved. He noted that savings were examined to determine if they were allocated accurately and if the performance matrix was utilized effectively. He stated that oversight was adequate to oversee allocation of funds and performance monitoring. He noted that the audit found inconsistency in allocation transfers. He stated that management agreed with recommendations to revise existing Standard Operating Procedures (SOPs) to clarify methodology for allocating cost savings. He noted that necessary financial adjustments had been made to reflect project timelines accurately.

Chairman Courage asked of the department's action plan. Doug Melnick replied that the Office of Sustainability was coordinating with the Office of Management and Budget and the Finance Department to finalize SOPs. Ben Gorzell added that the SOPs would be available within the week.

Councilmember Treviño moved to accept the audit. Citizen Member Treviño seconded the motion. The motion carried unanimously by those present.

Item 1 was addressed at this time.

1. Approval of the Minutes from the Audit and Accountability Committee Meeting on March 20, 2018

Citizen Member Treviño moved to approve the minutes of the March 20, 2018 Audit and Accountability Council Committee Meeting. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

Item 7 was addressed at this time.

7. FY 2018 Annual Audit Plan Status as of March 31, 2018

Kevin Barthold stated that 19 audit reports had been issued to date with a year-end goal of 35 reports. He noted there were no significant issues and staff was on track to complete their goal.

No action was required for Item 7.

8. Results of the Fiscal Year 2017 External Financial Audit and Presentation of Related Reports

Mr. Gorzell stated that City Charter and State Law required an external financial audit annually. He noted that the Finance Department rotated auditors or partners every five years and Grant Thornton was selected as the audit firm the year prior.

Councilmember Treviño exited the meeting at this time.

Troy Elliott stated that the results of the external audit were communicated through the Comprehensive Annual Financial Report (CAFR), Letter on Internal Control (Management Letter), Financial and Compliance Report on Federal and State Grants, and Financial and Compliance Report on Passenger Facility Charge Program. He provided an overview of changes to the Finance Department since 2006 to reduce CAFR field reporting time and adjustments as well as improve the functioning of the department. He reviewed historical CAFR findings and noted five findings for Fiscal Year 2017 with one Material Weakness, two Significant Deficiencies, and two Control Deficiencies. He stated that there were seven total adjustments in FY 2017 which was acceptable for the organization's size. He noted there were four findings in the State and Federal Grant single audits with one Material Weakness, one Significant Deficiency, one Non-Compliance, and one Material Non-Compliance. He stated there was one Modified Opinion but no questioned costs. He noted that future improvement efforts would include customized refresher training and increased focus on timely reporting from component units.

Angela Dunlap of Grant Thornton outlined the following investigation areas for Significant Risk: Fraud, Airport Revenues and Related Receivables, Grant Revenues and Related Receivables, Solid Waste Management Revenues and Related Receivables, Other Revenues and Related Receivables (Governmental and Business Type), and Evaluation of Component Units. She stated that conversations with individuals throughout the city indicated no occurrence of fraud. She stated there was one exception found regarding the San Antonio Bexar County (SABC) Soccer Public Facilities Corporation. She reviewed the following other areas of focus: Capital Assets, Employee Compensation, Risk Financing, Cash and Investments, Operating Expenses and Account Payable, Debt, Net Pension Liability, Other Post Employment Benefits (OPEB), Compliance with Uniform Guidance and Uniform Grant Management Standards, Adequacy of Disclosures, Computer Data Acquisition Analysis, and Implementation of New Accounting Standards.

Ms. Dunlap stated that the audit resulted in an unmodified opinion with financial statements clear of material misstatements and in accordance with general accounting principles. She noted no limitations of scope or problems in communication with management. She stated there were seven passed adjustments related to timely capitalization of assets, SABC Soccer PFC, Accounts Payable, Net Pension Liability, OPEB, and Compliance with Uniform Grant Management Standards.

Citizen Member Soto exited the meeting at this time and a quorum was lost. No further action could be taken.

Ms. Dunlap provided an overview of internal control matters. She reviewed the State and Federal Grant single audits and the Passenger Facility Charge Program audit and stated there were no findings. She noted no disagreements with management other than regarding the classification of CAFR findings.

Mr. Gorzell provided management's response to Grant Thornton's CAFR findings and stated that though they agreed with the findings, they did not agree with all of the classifications. He noted that the material weakness finding regarding SABC Soccer PFC did not affect the City's financial position and was a singular procedural error, and therefore should not be considered a material weakness from an organizational standpoint. He stated that the significant deficiency found from San Antonio International Airport's PARIS application resulted from being managed outside ITSD's portfolio but it should not be classified as significant due to its small amount of revenue and limited use. He noted that ITSD now managed administration for PARIS and the department was considering transitioning system functions into a broader existing system. He stated that the significant deficiency regarding Schedule of Expenditures of Federal Awards (SEFA) and Schedule of Expenditures of State Awards (SESA) resulted from incorrect categorizations and staff would be provided additional training. He noted that management asked for both Control Deficiencies to be included in the Management Letter. He stated that the deficiency regarding Security Administration and Change Management would be addressed with more timely revisions following employee promotion or departure. He noted that the deficiency regarding timely Capitalization of Assets only accounted for 0.16% of Net Capital Assets and future depreciation calculations would be made timely in accordance with General Accounting Principles. He stated that the audit results would be distributed to the full City Council at a later date.

There being no further discussion, the meeting concluded at 10:38 am.

ATTEST:

John Courage, Chairman

Leticia Y. Saenz
Deputy City Clerk