

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE
MEETING MINUTES
MAY 15, 2018 at 9:30 AM
CITY HALL, MEDIA BRIEFING ROOM**

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| 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> Citizen Member Priscilla Soto |
| Committee Absent: | Citizen Member Judy Treviño |
| 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> ; Erik Walsh, <i>Deputy City Manager</i> ; Lori Houston, <i>Assistant City Manager</i> ; Liz Provencio, <i>First Assistant City Attorney</i> ; Ray Rodriguez, <i>Deputy City Attorney</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; John Jacks, <i>Director of Center City Development Operations</i> ; Michael Shannon, <i>Director of Development Services</i> ; Melissa Ramirez, <i>Assistant Director of Development Services</i> ; Lori Steward, <i>Director of Human Resources</i> ; Krystal Strong, <i>Deputy Director of Human Resources</i> ; Charles Hood, <i>Fire Chief</i> ; Carl Wedige, <i>Deputy Fire Chief</i> ; Christopher Monestier, <i>Assistant Fire Chief</i> ; Dr. Colleen Bridger, <i>Director of Metropolitan Health</i> ; Dr. Anita K. Kurian, <i>Deputy Director of Metropolitan Health</i> ; Xavier Urrutia, <i>Director of Parks & Recreation</i> ; Homer Garcia III, <i>Assistant Director of Parks & Recreation</i> ; Buddy Vargas, <i>Audit Manager</i> ; Gabriel Treviño, <i>Audit Manager</i> ; Douglas Francis, <i>Auditor</i> ; Sheryl Wardashki, <i>Auditor</i> ; Reina Hernandez, <i>Auditor</i> ; Danny Zuñiga, <i>Auditor</i> ; Susan VanHoozer, <i>Auditor</i> ; Lauron Fischer, <i>Executive Management Assistant</i> ; Cecily Hope Pretty, <i>Office of the City Clerk</i> |

CALL TO ORDER

Chairman Courage called the meeting to order. Items 1 and 2 were addressed jointly.

- 1. Approval of the Minutes from the Audit & Accountability Committee Meeting on April 17, 2018**
- 2. Approval of the minutes from the Audit & Accountability Committee meeting on April 26, 2018**

Chairman Courage asked of the status of Standard Operating Procedures for the Office of Sustainability Energy Efficiency Fund referenced in the meeting on April 17th. Kevin Barthold

replied that staff would provide them. Chairman Courage asked if Councilmember Perry received requested financial information regarding the City Hall Design Build Contract referenced on April 26th. Councilmember Perry replied that he had.

Councilmember Perry moved to accept the minutes of the April 17, 2018 and April 26, 2018 Audit and Accountability Council Committee Meetings. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

Final Internal Audit Reports to Be Discussed

CONSENT AGENDA

- 3. AU17-F05 Follow-Up Audit of SAFD – Hazardous Materials Inspection**
- 4. AU17-017 Audit of DSD and Parks & Rec – Tree Mitigation and Canopy Investment Funds**
- 5. AU17-008 Audit of Finance – Purchasing Catalog Management System**
- 6. AU18-009 Audit of Human Resources – Employee Contractor Classification**
- 7. Audit of CCDO – Inner-City Reinvestment & Infill Policy**

Citizen Member Soto asked that Item 5 be pulled for Individual Consideration.

Councilmember Treviño moved to accept Items 3, 4, 6, and 7. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

ITEMS FOR INDIVIDUAL CONSIDERATION

Item 5 was addressed at this time.

5. AU17-008 Audit of Finance – Purchasing Catalog Management System

Citizen Member Soto asked of payment examination. Troy Elliott replied that payments with issues had occurred early on in the process of utilizing the system and changes had been made following those payments to ensure similar issues did not occur in the future.

Citizen Member Soto moved to accept the audit for Item 5. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

Item 8 was addressed at this time.

8. AU17-003 Audit of City Attorney – Outside Legal Counsel

Gabriel Treviño stated that the objective of the audit was to determine if outside legal expenditures were properly authorized and supported. He noted that outside counsel was utilized

in two categories: (1) transactional; and (2) litigation. He stated that transactional counsel required expertise in a specific field and litigation counsel was utilized to avoid potential conflicts of interest. He noted that the City Attorney's Office used the ProLaw system to maintain all documents, invoices, recordings, and case notes. He stated that outside legal expenditures totaled \$2.8 million in Fiscal Year 2015 and \$2.36 million in FY 2016. He noted that the scope of the audit was from FY 2015 through April 27, 2017. He stated that the audit found that expenditures for outside legal counsel were not properly authorized or supported. He noted overpayment of hourly rates and payment to unauthorized personnel assigned to cases as well as inappropriate access in the ProLaw system. He stated that auditors were unable to verify the accuracy of invoice payments due to the lack of engagement letters on file. He noted a lack of period monitoring of case activities from the beginning to conclusion of cases. He stated that the City Attorney agreed with the findings and developed a corrective action plan.

Andy Segovia stated that the City Attorney's Office undertook immediate corrective actions upon learning the findings. He noted that engagement letters had not been maintained in one file and did not always reflect the most current information. He stated that the scope of work performed by contractors was consistent with payments made. He noted that at least two staff would review future billings to ensure consistency with engagement letters. He stated that the long-term goal was to coordinate with ITSD in developing an application to detect mismatches in personnel or scope. He noted the importance of robust communication with outside counsel regarding current assignments, reporting, and strategy to support compliance with internal controls.

Chairman Courage asked if any funds had been incorrectly dispersed. Mr. Segovia replied that none had. Chairman Courage asked that the follow-up audit results be made available as soon as possible in 2019.

Citizen Member Soto asked if a similar audit had been conducted previously. Mr. Barthold replied that this was the first audit of its kind. Citizen Member Soto asked of current Fiscal Year expenditures. Mr. Segovia replied that they were on track to be within the budgeted amount.

Chairman Courage asked of reexamining all billings within the audit scope. Mr. Segovia replied that many of the matters were closed and the audit did not identify the need to recoup funds.

Citizen Member Soto asked of the scope of the follow-up. Mr. Barthold replied that it would examine cases following the implementation of corrective action to December 31, 2018.

Councilmember Treviño moved to accept the audit for Item 8. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

9. AU17-F08 Follow-Up Audit of SAMHD – Immunization Division

Buddy Vargas stated that the objective of the audit was to determine if the Metropolitan Health District successfully implemented action plans to address audit recommendations noted in their initial audit in May 2016. He noted three findings from the previous audit related to inaccuracy of immunization records, ineffective controls for the release of immunization records, and insufficient controls to ensure the verification of cash collections. He stated that the scope of the follow-up was limited to the findings of the original audit. He noted that the action plan to

address controls for cash collections was fully implemented but the actions plans for the other items were only partially implemented and the controls were not effective. He stated that management agreed with the findings and recommendations.

Dr. Colleen Bridger stated that corrective action plans had been implemented and improvements would be made with the implementation of a new state system for tracking immunizations. She noted that issues with controls for the release of records had improved after turnover resulted in new management with a better focus on training and enforcement.

Chairman Courage asked of the relationship with doctors and clinics to receive up-to-date information. Dr. Bridger replied that their communication was effective and there were no issues. Chairman Courage asked if there would be a second follow-up audit. Mr. Barthold replied that they would conduct a new audit following the implementation of the state system.

Councilmember Perry moved to accept the audit for Item 9. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

10. AU16-003 Audit of CCDO – Parking Operations

Mr. Barthold stated that the objective of the audit was to determine if Downtown Parking Operations were managed in accordance with ordinances and policies, and parking operation collections and revenue recognition were adequate. He noted that the Parking Division utilized a self-supporting Enterprise Fund overseeing 6,300 parking spots in the downtown area with revenues over \$9 million annually. He stated that the scope of the audit was FY 2016 and FY 2017. He noted that operations were not managed in accordance with policies and procedures and outlined the following findings:

- Inadequate monitoring of equipment vendor contracts
- Inadequate control of the authorization and issuance of validation tickets and MAG cards
- Inadequate monitoring of contractually allotted spaces for a hotel licensee
- Lack of regular reconciliations
- Inconsistency in issuance of parking decals

John Jacks stated that the Parking Division was focused on customer service, innovation and technology, and facility improvements. He noted that departmental changes in structure and management occurred to support corrective actions. He stated that processes for contract monitoring and parking issuances had been modified to strengthen internal controls and a Quality Control Committee had been convened to review logs and policies quarterly.

Councilmember Perry asked of lost revenue resulting from the findings. Mr. Jacks replied that there was no revenue lost. Councilmember Perry asked if a follow-up would be performed. Mr. Barthold replied that it would. Councilmember Perry expressed concern with inconsistencies in cash collection and controls. Sheryl Sculley stated that all departments were working to replace cash handling with automated processes where possible and cash handling operations were audited regularly. She noted that the Parking Manager had been removed due to poor ongoing performance as part of the corrective action.

Councilmember Perry excused himself from the meeting at this time.

Chairman Courage asked of parking-related vendors. Mr. Jacks replied that there were contractors for garage pay stations and for on-street kiosks. He noted that the City owned the equipment and contracted for maintenance. Chairman Courage asked of facility maintenance. Mr. Jacks replied that it was handled by CCDO staff. Chairman Courage asked of future contracts. Mr. Jacks replied that the department conducted an RFP for a phone-based payment application and would bring it to the full City Council for consideration within the year. Chairman Courage asked of the hotel licensee's use of more spaces than were contractually allowed. Mr. Jacks replied that CCDO cancelled all existing MAG cards and reissued the exact number specified in the contract.

Councilmember Treviño moved to accept the audit for Item 10. Citizen Member Soto seconded the motion. The motion carried unanimously by those present.

11. AU17-F07 Follow-Up Audit of CCDO – Parking Enforcement Division

Mr. Barthold stated that the original audit was conducted in 2016 resulting in the following findings:

- Parking violators with multiple citations not addressed
- Need for safety environment improvements for officers
- Reconciliations between issued parking citations and Municipal Court's Incode system not performed
- Inconsistency in evidence supporting reasons for citations
- Handicap parking enforcement non-compliant with State Code
- Ineffective controls to ensure proper use of City vehicles
- Insufficient logical system access to citation writers

Mr. Barthold stated that five out of seven recommendations were fully implemented, and two recommendations for City vehicle usage and evidence consistency controls only partially implemented.

Mr. Jacks stated that inconsistencies were due to training issues and an Officer Training Program had been implemented as a corrective action. He noted implementation of new policies and random reviews for evidence collection. He stated that vehicles were now tracked with GPS and logged under supervisory review. He added that structural changes would be made to increase managerial oversight.

Chairman Courage asked if employees were allowed to take City vehicles home. Mr. Jacks replied that they were not. Chairman Courage asked if the division would be reviewed again. Ms. Sculley replied that the success of corrective actions would be measured as part of Mr. Jacks' performance plan.

Citizen Member Soto moved to accept the audit for Item 11. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

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*

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