

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE
MEETING MINUTES
FEBRUARY 19, 2019 at 9:30 AM
MUNICIPAL PLAZA, 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> Citizen Member Priscilla Soto
Committee Absent:	Citizen Member Judy Treviño
Staff Present:	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> ; Kevin Barthold, <i>City Auditor</i> ; Carlos Contreras, <i>Assistant City Manager</i> ; Ed Guzman, <i>Deputy City Attorney</i> ; Jim Kopp, <i>Assistant City Attorney</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Russ Handy, <i>Director of Aviation</i> ; Robert Blanton, <i>Deputy Police Chief</i> ; <i>SAPD</i> ; Kevin Goodwin, <i>Chief Technology Officer, Information Technology Services Department</i> ; Michael Sindon, <i>Assistant Director of Economic Development</i> ; Buddy Vargas, <i>Audit Manager</i> ; Gabriel Trevino, <i>Audit Manager</i> ; Mark Bigler, <i>Audit Manager</i> ; Abigail Medina, <i>Auditor</i> ; Hedei Arias, <i>Auditor</i> ; Denice F. Trevino, <i>Office of the City Clerk</i>
Others Present:	William Kaufman, <i>Kaufman & Killen</i> ; Andres Peña, <i>Director, Government Affairs, Kaufman & Killen</i>

CALL TO ORDER

Chairman Courage called the meeting to order.

1. Approval of the Minutes from the Audit & Accountability Committee Meeting on January 29, 2019

Councilmember Perry moved to approve the minutes of the January 29, 2019 Audit and Accountability Council Committee Meeting. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

CONSENT AGENDA

Post-Solicitation High Profile Items

- 2. Distributed Antenna System.** [Carlos Contreras, Assistant City Manager; Russell Handy, Director, Aviation]
- 3. Integrated Library System.** [Lori Houston, Assistant City Manager; Ramiro S. Salazar, Director, Library]

Final Internal Audit Reports

4. AU18-F09 Follow-Up Audit of San Antonio Police Department Armory Inventory Management.

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

ITEMS FOR INDIVIDUAL CONSIDERATION

Select Post-Solicitation High Profile Briefings

5. Terminal A Food/Beverage/Retail Prime Concessionaire. [Carlos Contreras, Assistant City Manager; Russell Handy, Director, Aviation]

Russell Handy stated that this solicitation provided for a new food, beverage, and retail prime concessionaire for over 10,000 square feet in Terminal A. He noted that the solicitation included new concepts promoting desired store concepts, themes, and products with a mix of national brands and San Antonio Area products/services which have a strong local representation. He stated that the estimated minimum value for the Minimum Annual Guarantee (MAG) was a little over \$2 million per year. He noted that the proposed term was for seven years with 3, 1-year options. He stated that four proposals were received. He reviewed the scoring for the top two firms and noted that there were no issues identified for due diligence.

Councilmember Perry asked why there were only four proposals. Mr. Handy replied that although there were four proposals, each could include participation from multiple companies. Councilmember Perry asked for details on how the top two proposals were identified. Mr. Handy stated that all four were scored by the Evaluation Committee and two of the firms scored significantly higher than the other two. Councilmember Perry requested examples of why firms 3 and 4 were scored much lower than firms 1 and 2. Mr. Handy stated that one firm had almost no local concept, new concepts were presented without any proven record, and one firm had management record issues for example. Councilmember Perry asked if de-briefs were conducted with companies. Mr. Handy replied that those would be conducted after a proposal was approved by City Council.

Citizen Member Soto entered the meeting at this time.

Councilmember Treviño asked how proposals were evaluated for strong local representation. Mr. Handy stated that proposals were evaluated according to whether they were local companies, presented a local concept, had a direct relation to local, and had a proven record of success.

Chairman Courage asked of the annual MAG over the last 10 years. Mr. Handy replied that it was \$1.8 million.

Councilmember Perry asked of making changes to contracts to assist the vendor. Mr. Handy stated that changes were rarely made. Councilmember Perry stated that he would like to ensure that changes in the contract could not be made.

Chairman Courage asked if the difference in the proposed plans scored was based on the investment to be made by the firms. Mr. Handy replied that it was not.

Councilmember Perry moved to recommend and forward the selection of a food/beverage/retail concessionaire to the full City Council for consideration. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

Final Internal Audit Reports

6. AU18-021 Audit of San Antonio Police Department Property & Evidence Room.

Buddy Vargas stated that the objective of the audit was to determine if the chain of custody and evidence preservation controls were adequate at the San Antonio Police Department (SAPD) Property and Evidence Facilities. He noted that SAPD Staff had custodial responsibility for all property and evidence confiscated by SAPD Officers. He noted that SAPD was responsible for maintaining the chain of custody which is the chronological, documented record of the location and possessor of evidence from its initial collection through potential testing, court use, storage, and disposition. He stated that the property room utilizes the FileOnQ System to manage all evidence, personal, and found property. He noted that SAPD managed approximately 500,000 items, of which 98% were items of evidentiary value. He stated that the remaining items were either found or personal items. He stated that the audit scope included chain of custody and evidence preservation controls from Fiscal Year (FY) 2015 through FY 2018.

Mr. Vargas reported that the audit determined that chain of custody and evidence preservation controls were adequate for SAPD Property and Evidence Facilities. He stated that SAPD has effective inventory management processes and procedures in place to ensure that inventory files are complete and accurate. He noted that SAPD has effective chain of custody controls in place to ensure that evidence custody and documentation is accurately maintained. He stated that inventory levels were effectively managed through timely purging of items no longer needed, cash handling controls were executed in accordance with administrative directives, and performance measures were accurately reported. He noted that access and back-up controls for the FileOnQ System were effective. He stated that the audit found no missing evidence however; there were opportunities to strengthen controls associated with user badge access. He noted that controls for the accuracy of data entry of currency were not being executed and there was a lack of documentation for the approval to convert narcotics. He stated that controls surrounding sexual assault kits were not consistently executed as intended. He noted that recommendations were made to address the opportunities.

Councilmember Perry asked if the Record Management System (RMS) would assist in tracking cases. Mr. Vargas stated that the primary system utilized to track sexual assault

cases was the FileOnQ System. He noted that changes were not updated on the FileOnQ System so training was the issue. Deputy Chief Blanton stated that interface existed between RMS and FileOnQ. Councilmember Perry requested a briefing from Craig Hopkins.

Councilmember Perry moved to accept the audit for Item 6. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

Audit Plan

7. FY 2019 Annual Audit Plan Status as of January 31, 2019. [Kevin Barthold, City Auditor, Office of the City Auditor]

Kevin Barthold stated that year to date; 17 audit reports have been completed. He reviewed the FY 2019 Annual Audit Plan status as of January 31, 2019.

Councilmember Perry asked if insertions into the program could be accommodated. Mr. Barthold replied that they could.

Mr. Barthold mentioned that the City Auditor's Office was audited every three years by a peer-reviewed team.

Citizen Member Soto noted that for a couple of audits; over half of the budget hours were spent in planning. She asked if that was common. Mr. Barthold replied that it was typical to utilize half or more of the budget hours for planning.

Councilmember Perry moved to accept Item 7. Councilmember Treviño seconded the motion. The motion carried unanimously by those present.

Staff Briefing

8. Briefing for Contract Extension of Corporate Purchasing Card Services. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Troy Elliott stated that the Procurement Card (P-Card) Program was managed by the Finance Department and was implemented in 2003. He noted that the P-Card could be utilized for purchases under \$3,000 such as registrations and licensing for employees, and non-contract, non-biddable purchases. He stated that the P-Card Program provides a process for making emergency purchases as needed to include Emergency Operations Center cards which would only be activated during an emergency situation. He noted that the current P-Card Services Contract was approved by the City Council on June 19, 2014 and the current term was for five years from July 1, 2014 through June 30, 2019 and included 2, two-year renewal options. He stated that the first renewal option would be from July 1, 2019 through June 30, 2021. He noted that a Request for Proposals (RFPs) for the current contract was issued on November 20, 2013. He stated that nine proposals were received with six of them responsive, and the following four firms were shortlisted:

- FIA Card Services, a Bank of America, N.A. Company
- JP Morgan Chase Bank
- US Bank National Association
- Wells Fargo

Mr. Elliott stated that Wells Fargo was awarded the contract by City Council on June 19, 2014. He noted that Wells Fargo provides the following services for this contract:

- Corporate purchasing cards
- Online expense reconciliation and tracking tool
- 24/7 customer service
- Fraud monitoring
- Transaction dispute resolution
- 7-year retention of receipt images

He stated that the Wells Fargo P-Card Services contract resulted in average annual revenue of \$60,000. He noted that the revenue share was calculated as a percentage of total spend and average transaction size, with 1.07% being the current revenue share percentage. He stated that there was an average annual spend of \$6 million through P-Cards and approximately 25,000 transactions annually. He noted that there were no recurring fees associated with the contract and there were currently 425 active cards. He reviewed the following two options:

1. Exercise first renewal option extending the contract with Wells Fargo to an additional two years
2. Issue RFP and extend Wells Fargo contract for 2-3 months to allow time for implementation of a new contract

Mr. Elliott stated that staff recommended renewal of the Wells Fargo contract.

Ben Gorzell stated that staff reviewed the contract and confirmed that it was working as intended with no performance issues noted.

Chairman Courage expressed support for issuing an RFP in hopes that the City could obtain a higher rate of return.

Councilmember Perry expressed support for the staff recommendation. He stated that the time, effort, and money spent on the issuance of an RFP would outweigh a higher rate of return.

Councilmember Perry moved to recommend and forward staff's recommendation to extend the contract with Wells Fargo to the full City Council for consideration. The motion to approve prevailed by the following vote: **AYE:** Councilmembers Treviño and Perry, Citizen Member Soto; **NAY:** Chairman Courage; **ABSENT:** Citizen Member Treviño.

Consideration of Items for Future Meetings

There were no items considered for future meetings.

ADJOURN

There being no further discussion, Chairman Courage adjourned the meeting at 10:35 a.m.

ATTEST:

John Courage, Chairman

*Leticia Y. Saenz
Deputy City Clerk*

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