

**AUDIT COUNCIL COMMITTEE MEETING
MINUTES**

AUGUST 18, 2015 at 11:30 AM

"B" ROOM, MUNICIPAL PLAZA BUILDING

Committee Present:	Council Member Rey Saldaña, <i>District 4, Chair</i> Council Member Alan E. Warrick II, <i>District 2</i> Council Member Shirley Gonzales, <i>District 5</i> Citizen Member Tom Nichta
Staff Present:	Kevin Barthold, <i>City Auditor</i> ; Leticia M. Vacek, <i>City Clerk</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Chris Callanen, <i>Assistant to City Council</i> ; Hugh Miller, <i>Chief Technology</i> <i>Officer</i> ; Troy Elliott, <i>Director of Finance</i> ; Mike Sawaya, <i>Director of Convention & Sports Facilities</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Ted Murphree, <i>Assistant</i> <i>City Attorney</i> ; Ray Rodriguez, <i>Assistant City Attorney</i> ; Andy Mixon, <i>Department Fiscal Administrator</i> ; Pam Roberson, <i>Department Fiscal Administrator</i> ; Kevin Burton, <i>Fiscal Operations Manager</i> ; Sandy Paiz, <i>Audit Manager</i> ; Mark Bigler, <i>Audit Manager</i> ; Buddy Vargas, <i>Audit</i> <i>Manager</i> ; Laura Cantu, <i>Senior Management Analyst</i> ; Matt Howard, <i>Auditor</i> ; Danny Zuniga, <i>Auditor</i> ; Caitlin Buchanan, <i>Management Fellow</i> ; Tim Salas, <i>District 4</i> ; Rebecca De La Garza, <i>Executive Assistant</i> ; Denice F. Trevino, <i>Office of the City Clerk</i>

CALL TO ORDER

Chairman Saldaña called the meeting to order.

7. Executive Session

Chairman Saldaña addressed Item 7 first.

Chairman Saldaña recessed the Audit Committee into Executive Session at 11:30 a.m. to deliberate the security audit pertaining to the Information Technology Services Department Citrix Security Audit, pursuant to Texas Government Code Section 551.076 (deliberation regarding Security Devices or Security Audits).

Chairman Saldaña reconvened the meeting at 12:00 p.m. and stated that no action was taken during the Executive Session.

1. Approval of the Minutes from the June 16, 2015 Meeting of the Audit Committee

Councilmember Warrick moved to approve the minutes of the June 16, 2015 Audit Council Committee Meeting. Councilmember Gonzales seconded the motion. The motion carried unanimously.

2. AU15-004 Audit of City Council Project Funds

Mr. Buddy Vargas reported that the City Council Project Fund was adopted in 2012 and updated in December of 2013. He stated that expenditures from the fund must be allocated to one of three following categories: 1) Education Initiatives; 2) City Council District Community Events; 3) Youth or Senior Services. He specified that the Mayor's Office and each City Council District are allocated \$50,000 per fiscal year and that the objective of the Audit was to determine if funds are managed according to established policies and procedures. He mentioned that the scope of the Audit included assessment of current processes and evaluation of project/events that occurred in FY 2014. He noted that overall results were positive and that the Audit Findings concluded that Project Funds are used according to established policies and procedures. He highlighted one area that required improvement: two events did not have sufficient documentation at the time of review, although department staff was able to provide documentation at a later time. He concluded that the Audit Findings included a recommendation for improvement that the Assistant to City Council had concurred and created action plans to address the issue.

Mr. Chris Callanen thanked the City Auditor's Office for their work and noted that the Audit provided an opportunity to evaluate and further improve office procedures.

Citizen Member Nichta moved to accept the Audit. Councilmember Warrick seconded the motion. The motion carried unanimously.

3. AU15-006 Audit of Convention and Sports Facilities Contract for Elevator and Escalator Preventative Maintenance Services

Mr. Kevin Barthold explained that the Audit of the Convention and Sports Facilities Contract with Kone, Inc. examined contract provisions for the maintenance of elevators and escalators in the Convention Center, Alamodome, and other buildings located on Hemisphere Grounds.

Ms. Sandy Paiz reported that the City had entered into the full service agreement with Kone, Inc. to provide elevator, escalator, and wheelchair lift preventative maintenance services and inspections at the Convention and Sports Facilities. She noted that Kone, Inc. provides maintenance for 33 elevators, 21 escalators, and one wheelchair lift. She stated that total expenses paid to Kone, Inc. were \$319,000 in FY 2013 and \$327,000 in FY 2014.

Ms. Paiz stated that the Contract commenced in November of 2012 and was scheduled to expire in September of 2015. She reported that the objective of the Audit was to determine if the Convention and Sports Facilities Department and Kona, Inc. are in compliance with key terms of the Contract and to examine the monitoring process of the Department to ensure it was effective. She mentioned that the scope of the Audit was from October of 2013 through September of 2014. She explained that the Audit Findings concluded that standard controls for ensuring effective monitoring of the Contract were not in place. She identified deficiencies which included several required insurance endorsements that were not on file or were not obtained by the Contract Monitor at the time of the Audit. She added that the Audit was unable to verify qualifications and training for mechanics and that monitoring controls for ensuring timely maintenance and inspection of machinery required improvement. She detailed provisions of the Contract which stipulated that a Preventative Maintenance Checklist Schedule should be included in every machinery room that includes specific information that serves as evidence that preventative

maintenance was conducted. She specified three days in which the auditors were unable to receive verification that maintenance was conducted.

Ms. Paiz reported that some documents provided for the purpose of the Audit did not include detail for all the maintenance of that day and that the auditors were unable to determine if all the scheduled maintenance was completed. She explained that specific provisions of the Contract were not being followed such as the inclusion of a mechanic's signature to verify the completion of maintenance, weekly required inspections, and the presence of a City Representative at annual inspections. She noted that the Contract states that if a service call takes longer than two hours to complete, the City is eligible for a \$50 service credit fee. She added that it did not appear that the City was appropriately obtaining service credit for all the service calls taking longer than two hours. She concluded that a Contract Administration Plan, which is required by City Administrative Directives, had not been established and may have helped in providing assistance with monitoring some of the key provisions of the Contract.

Mr. Mike Sawaya stated that this was the first time the Contract had been audited and noted the high volume of important equipment utilized. He added that the Department relies on the competency of providers and added that the pool of vendors is highly limited. He reported that the Department agreed with the Audit recommendations and had already instituted action plans to address identified issues.

Citizen Member Tom Nichta asked if there was any means of electronically recording data to enable review of equipment maintenance. Mr. Sawaya responded that the Department maintains a database which provides a history of equipment maintenance. Citizen Member Nichta asked for information regarding the available pool of vendors. Mr. Sawaya responded that there are a limited number of providers and that Kone, Inc. is one of the largest vendors as well as the manufacturer of the equipment used by the Department.

Councilmember Warrick asked if maintenance issues had been reflected in customer feedback. Mr. Sawaya reported that there were no unresolved issues that had impacted customer feedback.

Chairman Saldaña asked if State Inspections were an adequate safeguard to identify and prevent maintenance issues. Mr. Sawaya responded that State Inspections have been helpful but that an additional level of verification would be optimal. He added that the Department would be adding a position that will monitor Contracts in detail for the next fiscal year. He noted that the new position would help alleviate the requirement of having technicians be responsible for the administrative aspect of the Contract.

Councilmember Warrick moved to accept the Audit. Councilmember Gonzales seconded the motion. The motion carried unanimously.

4. FY2015 Annual Audit Plan as of 7/31/2015

Mr. Kevin Barthold reported that there have been 24 Audit Reports conducted for the current fiscal year with two more planned, bringing the total to 26 total reports. He noted that the Audit Plan is progressing as planned.

5. FY2016 Proposed Budget

Mr. Barthold presented an overview of the FY 2016 Proposed Budget for the Office of the City Auditor which included an Operating Budget of \$2.9 million. He noted that the Operating Budget includes Personnel Services, Contractual Services, Commodities, Self Insurance and other costs, and Capital Outlays.

6. FY2016 Proposed Audit Plan

Mr. Barthold reported that the FY 2016 Proposed Audit Plan was developed with input from the Mayor, City Councilmembers, the Executive Leadership Team, and Department Heads. He stated that a list of potential audits was drafted based on risk assessments, high profile perspectives, financial areas, and technology issues. He highlighted four sections of the Plan including Performance Audits, Follow Up Audits, Contract Compliance Audits, and Attestations. He explained that the Police Department is required to file State Reports regarding confiscated property as well as undergo an independent audit. He added that the Office of the City Auditor has provided this service at a lower cost to the Police Department.

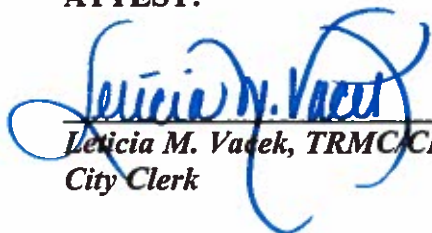
Mr. Barthold stated that the Proposed Audit Plan includes 41 total projects for Fiscal Year 2016 and noted certain follow up audits that had yet to be conducted.

Citizen Member Nichta moved to forward the FY 2016 Proposed Audit Plan to the full City Council for consideration. Councilmember Gonzales seconded the motion. The motion carried unanimously.

Citizen Member Nichta moved to add the proposed follow-up audits of the FY 2016 Audit Plan to the FY 2015 Audit Plan. Councilmember Gonzales seconded the motion. The motion carried unanimously.

There being no further discussion, Chairman Saldaña adjourned the meeting at 12:40 pm.

ATTEST:



Leticia M. Vacek, TRMC/CMC/MMC
City Clerk



Rey Saldaña, Chairperson