

**AUDIT COUNCIL COMMITTEE MEETING
MINUTES**

**JANUARY 19, 2016 at 11:30 AM
CITY HALL, MEDIA BRIEFING ROOM**

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:	Peter Zaroni, <i>Deputy City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Martha Sepeda, <i>Acting City Attorney</i> ; Troy Elliott, <i>Director of Finance</i> ; Lori Steward, <i>Director of Human Resources</i> ; Mike Sawaya, <i>Director of Convention and Sports Facilities</i> ; Tom Jones, <i>Interim Director of Aviation</i> ; Leticia Y. Saenz, <i>Deputy City Clerk</i> ; Lisa Biediger, <i>Assistant City Attorney</i> ; Debbie Racca-Sittre, <i>Assistant Director of TCI</i> ; Wanda Heard, <i>Assistant Director of Human Resources</i> ; Natalie Balderrama, <i>Assistant Director of Human Resources</i> ; Tim O'Krongley, <i>Assistant Director of Aviation</i> ; Patricia M. Cantor, <i>Assistant Director of Convention and Sports Facilities</i> ; Michael Sindon, <i>Interim Assistant Director of Economic Development</i> ; Norbert Dziuk, <i>Assistant to the Finance Director</i> ; Mark Bigler, <i>Audit Manager</i> ; Krystal Strong, <i>Senior Human Resources Administrator</i> ; Rod Rodriguez, <i>Compliance Manager</i> ; Sandy Paiz, <i>Audit Manager</i> ; Buddy Vargas, <i>Audit Manager</i> ; Bruce Coleman, <i>Auditor</i> ; Holly Williams, <i>Auditor</i> ; Reina Sandoval, <i>Auditor</i> ; Christopher Moreno, <i>Auditor</i> ; Rebecca Moulder, <i>Auditor</i> ; Coda Rayo-Garza, <i>District 5</i> ; Rebecca De La Garza, <i>Executive Management Assistant</i> ; Alexander J. Pytel, <i>Office of the City Clerk</i>
Others Present:	Roger Arias, <i>Earl Abel's</i> ; Artist Moore, <i>Big Bob BBQ</i> ; Stanley R. Sitropshire, <i>Big Bob BBQ</i> ; Shaun M. Beard, <i>Savor</i> ; Richard Ojeda, <i>Savor</i> ; Louis Barrios, <i>Los Barrios</i> ; Noe Martinez, <i>Savor</i> ; Bill Kaufman, <i>Kaufman & Killen</i> ; Richard Webner, <i>San Antonio Express-News</i>

CALL TO ORDER

Chairman Saldaña called the meeting to order.

1. Approval of the Minutes from the December 15, 2015 Meeting of the Audit Committee

Citizen Member Nichta moved to approve the Minutes of the December 15, 2015 Audit Council Committee Meeting. Councilmember Gonzales seconded the motion. The motion carried unanimously.

2. AU15-001 Audit of Aviation Department Airport Concession Contracts

Ms. Sandy Paiz reported that the Aviation Department managed operations at the San Antonio International Airport (SAT) and Stinson Municipal Airport. She stated that one of the responsibilities of the Aviation Department is to manage the City's Concession Contracts with retail, food, beverage, and other business service establishments. She mentioned that during Fiscal Year 2015, SAT had 42 active Concession Contracts while Stinson Municipal Airport had 2 Concession Contracts. She explained that the Concession Contracts required concessionaires to self-report gross sales and pay rent to the City on a monthly basis. She added that in Fiscal Year 2015, concessionaires reported approximately \$43.8 million in gross sales and paid approximately \$7.5 million in rent to the City.

Ms. Paiz stated that the Audit Objective was to determine if Aviation Concessions are properly managed in accordance with contract terms and the scope of the Audit included contract agreements for Airport Concessionaires during Fiscal Year 2014, as well as revenue generated from concessionaires between October 2013 and January 2015. She explained that the Audit concluded that Internal Controls needed improvement to ensure that the City's Airport Concession Contracts are properly managed and in compliance with key contractual terms. She mentioned that Airport Concession Management had made recent improvements to their processes but noted the following control deficiencies:

- ❖ Lack of consistent monitoring for key contract terms.
- ❖ Support that would serve as evidence of compliance with contract terms was not on file.
- ❖ Standard written procedures did not exist for the Contract Monitoring processes.

Ms. Paiz noted that Airport Concession Management concurred with Audit recommendations and developed positive corrective action plans.

Mr. Tom Jones stated that the Aviation Department agreed with recommendations and had implemented action plans to address Audit Findings. Mr. Rod Rodriguez explained that Contract Monitoring was now in place as well as processes to institute correct reporting of concessionaires.

Councilmember Warrick asked if additional costs would be incurred by implementing corrective action plans. Mr. Rodriguez replied that corrective action plans would be implemented by existing staff without additional costs to the Aviation Department. He highlighted the addition of a Project Management Information System to assist with contract management.

Citizen Member Nichta asked for clarification regarding Percentage Rent. Mr. Rodriguez reported that payments vary between different concessionaires. Mr. Carlos Contreras explained that factors affecting payments included location in the airport and product volume.

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

3. AU15-002 Audit of Aviation Department Parking Revenue

Ms. Sandy Paiz stated that the Aviation Department managed and tracked revenue generated from San Antonio International Airport's Parking Fees. She reported that revenue from parking operations constituted approximately one fifth of the Airport Operating & Maintenance Fund and totaled

approximately \$22 million in Fiscal Year 2015. She mentioned that Parking Revenue is generated from Public Parking, Employee Parking, and Ground Transportation.

Ms. Paiz explained that the objective of the Audit was to determine if internal controls over parking fee collections and revenue recognition are adequate. She noted that the scope of the Audit included reviews of parking fees collected between July 2014 and January 2015. She stated that the Audit concluded that internal controls for the processing and collecting of parking fees needed improvement and highlighted the following Audit Findings:

- ❖ Controls for validating the accuracy of daily parking revenue and sales tax were not in place.
- ❖ Processes for tracking parking passes did not provide reasonable assurance for ensuring proper authorization and accounting.
- ❖ User access to the Employee Parking Renewal System (EPRS) was not being managed to ensure appropriate access to system functions.

Mr. Rodriguez stated that the Aviation Department concurred with Audit Findings and had developed positive corrective action plans. He reported that Aviation Staff had researched the sales tax errors and identified \$562,000 in tax overpayments to the State over the past 5 years. He noted that a refund would be requested from the State.

Councilmember Warrick asked if outsourcing had been considered as part of the parking operations. Mr. Contreras replied that the outsourcing was currently being examined.

Citizen Member Nichta asked for clarification regarding the costs of Transportation Security Administration (TSA) Agents. Mr. Rodriguez replied that airline tickets included a security fee that is distributed to the TSA as well as funding from the Department of Homeland Security. He noted that San Francisco and Kansas City Airports had elected to privatize Airport Security with approval from the Department of Homeland Security.

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

4. AU15-014 Audit of Human Resources COSA Hiring Practices

Mr. Kevin Barthold reported that the Human Resources (HR) Department hired over 1,500 positions in Fiscal Year 2015 including new hires, transfers, and rehires. He stated that the objective of the Audit was to determine if COSA hiring practices are consistent with internal policies and accurately reported. He noted that the scope of the Audit included positions filed between October 1, 2014 and May 31, 2015 and explained that the Audit concluded that COSA hiring practices are consistent with internal policies and accurately reported per HR Guidelines. He stated that the Audit identified the following areas for improvement:

- ❖ Independent reviews were not taking place throughout the Hiring and Onboarding Process.
- ❖ Signatures and approvals were not always recorded on New Employee Processing Forms.
- ❖ Training was not provided to all employees responsible for interviewing candidates.
- ❖ Contracts with Staffing Agencies were not being monitored for compliance.
- ❖ Monitoring controls to ensure appropriate system user access were not effective.

- ❖ Performance Measures used to track goals did not provide sufficient review of effectiveness.

Ms. Lori Steward reported that new policies had been implemented as a result of the Audit. She highlighted additional outreach and Supervisory Excellence Training for Hiring Managers, Expedited Hiring Times, and Temporary Staffing Contract Improvements.

Councilmember Warrick asked of Hiring Events in the Promise Zones. Ms. Krystal Strong replied that workshops were undertaken in conjunction with City Departments in different quadrants of the City. She noted that Employment Workshops had experienced high levels of turnout.

Citizen Member Nichta asked for clarification regarding unclassified positions. Ms. Steward stated that managers, executives, and higher level positions are not classified positions and are not covered by Civil Service Rules.

Councilmember Gonzales asked for information regarding temporary employee compensation. Ms. Steward stated that temporary employees work under a different pay scale than City Employees. She added that some temporary workers become permanent City Employees and receive the City's Minimum Wage.

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

5. FY2016 Annual Audit Plan as of December 31, 2015

Mr. Barthold reported that 10 Audit reports were issued between the months of October and December 2015 and noted that the Audit Plan was on schedule. He stated that he had researched City Departments to determine if employees were taking significant amounts of sick leave time immediately prior to retirement without appropriate documentation as requested by the Committee at the December meeting. He explained that there were no instances identified of unreasonable or unsubstantiated occurrences other than those reported to the Audit Committee in the SAFD Payroll Audit Report in October 2015.

No action was required for Item 5.

High Profile Contract Subcommittee Items

6. Third Party Administrator for Administration and Payment of Medical Claims, Pharmacy, Flexible Spending Accounts, Health Savings Accounts and COBRA

Ms. Lori Steward reported that the estimated value of the Request for Proposals was \$4 million annually and that the current contract was held by UnitedHealthcare and would expire December 31, 2016. She stated that the Third Party Administrator would support Medical and Pharmacy Plans as well as processing for Flexible Spending Accounts, Health Savings Accounts, and COBRA Accounts. She detailed the Evaluation Criteria and noted that Outreach Efforts would include TVSA, COSA Bidding Opportunities Website, and the San Antonio Express-News. She highlighted the Projected Timeline:

Pre-Solicitation Briefing:	January 19, 2016
Release of the RFP:	January 22, 2016

Deadline to Submit:	February 22, 2016
Evaluation Completion:	April 1, 2016
Post-Solicitation Briefing:	April 19, 2016
City Council Consideration:	May 5, 2016
Contract Start Date:	January 1, 2017

Councilmember Gonzales asked how Audits of the Third Party Administrator were conducted. Mr. Barthold reported that Third Party Administrators had their own independent auditors. Mr. Ben Gorzell added that Third Party Administrator Audit results were given to City Staff for review.

No action was required for Item 6.

7. Alamodome Concessions and Catering Services

Ms. Patricia Cantor reported that the Alamodome Concessions and Catering Services Solicitation was a 15-year contract with no renewal options with an estimated value of \$105 million. She stated that the current contract was set to expire on February 29, 2016 and that the release of the Request for Proposals occurred in July 2015. She mentioned that the due date for submissions was October 2015 and that evaluation of the respondents was concluded in November 2015. She explained that the Item was scheduled for City Council Consideration on January 28th with commencement of the contract scheduled for March 1, 2016. She noted that the Contract covered all food and beverage service for events held at the Alamodome and outlined the Evaluation Committee Membership. She highlighted Evaluation Criteria and the Scoring Matrix for respondents.

Mr. Troy Elliott stated that vendors had been notified and that three responses had been received. He added that Due Diligence had revealed no findings. Mr. Barthold stated that the City Auditor's Review had discovered no findings.

Councilmember Warrick moved to forward the Item to the full City Council for consideration. Councilmember Gonzales seconded the motion. The motion carried unanimously.

8. Design-Build Services for Leslie Road and Southeast Service Center & Natural Creekway Maintenance

Mr. Troy Elliott reported that there were 8 respondents for the Design-Build Services for Leslie Road and Southeast Service Center Solicitation. He stated that the contract value was estimated at \$61.4 million and was tentatively scheduled for City Council consideration on March 3, 2016. Ms. Debbie Racca-Sittre stated that out of the 8 respondents; 4 were asked to provide a proposal and scheduled to be interviewed. She mentioned that award of the contract would take place in March 2016 with a construction period of 24 months.

Citizen Member Nichta asked for detail regarding the scoring of the Experience with City of San Antonio Issues Category. Ms. Sittre explained that scoring was related to company experience within the local community and knowledge of regional issues.

Mr. Troy Elliott provided an overview of the RFCSP for Natural Creekway Maintenance. He stated that there were three respondents and that the contract value was estimated at \$3.6 million. He noted that the

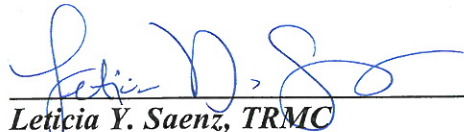
Item was tentatively scheduled for City Council consideration on March 3, 2016. He added that there were no Due Diligence Findings. Mr. Barthold reported that the City Auditor's Review had no findings.

Councilmember Warrick moved to forward the Items to the full City Council for consideration. Councilmember Gonzales seconded the motion. The motion carried unanimously.

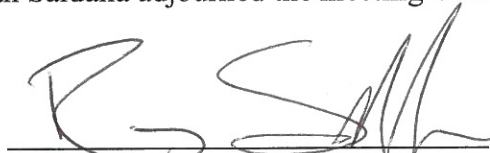
ADJOURN

There being no further discussion, Chairman Saldaña adjourned the meeting at 1:23 pm.

ATTEST:



Leticia Y. Saenz, TRMC
Deputy City Clerk



Rey Saldaña, Chairman