

AUDIT COUNCIL COMMITTEE MEETING MINUTES

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

Committee Present:	Councilmember Rey Saldaña, <i>District 4, Chair</i> Councilmember Alan E. Warrick II, <i>District 2</i> Councilmember Shirley Gonzales, <i>District 5</i> Citizen Member Tom Nichta
Staff Present:	Erik Walsh, <i>Deputy City Manager</i> ; Carlos Contreras, <i>Assistant City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Martha Sepeda, <i>Acting City Attorney</i> ; Chief Charles Hood, <i>San Antonio Fire Department</i> ; Troy Elliott, <i>Director of Finance</i> ; Lori Steward, <i>Director of Human Resources</i> ; Tom Jones, <i>Director of Aviation</i> ; Mike Sawaya, <i>Director of Convention and Sports Facilities</i> ; John Jacks, <i>Interim Director of Center City Development and Operations Department</i> ; Leticia Y. Saenz, <i>Deputy City Clerk</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Carl Wedige, <i>Deputy Fire Chief</i> ; Wanda Heard, <i>Assistant Director of Human Resources</i> ; Christopher Monestier, <i>Assistant Fire Chief</i> ; Patricia Muzquiz Cantor, <i>Assistant Director of Convention and Sports Facilities</i> ; Mark Bigler, <i>Audit Manager</i> ; Lisa Brice, <i>DBE Liaison</i> ; Choco Meza, <i>Chief of Staff (District 5)</i> ; Rebecca De La Garza, <i>Executive Management Assistant</i> ; Alexander J. Pytel, <i>Office of the City Clerk</i>

CALL TO ORDER

Chairman Saldaña called the meeting to order.

1. Approval of the Minutes from the March 10, 2016 Meeting of the Audit Committee

Councilmember Warrick moved to approve the Minutes of the March 10, 2016 Audit Council Committee Meeting. Citizen Member Nichta seconded the motion. The motion carried unanimously by those present.

2. AU15-022 San Antonio Fire Department (SAFD) Hazardous Materials Inspections

Councilmember Gonzales entered the meeting at this time.

Mr. Mark Bigler provided background on the Hazardous Materials Permit Fees charged by the City of San Antonio since 1990. He reported that in 2013, the City Council had approved the addition of three full-time Hazardous Material Inspectors in addition to the previous two personnel partially dedicated to Hazardous Materials Inspectors. He stated that the Audit objective was to determine if controls over SAFD's Hazardous Materials Inspection Program were adequate to ensure appropriate and timely inspections and that the scope of the Audit was from October 2013 to June 2015. He noted that the Audit concluded that controls were not adequate to ensure timely inspections of facilities housing hazardous materials. He added that the Fire

Department had concurred with the audit findings and developed a corrective action plan. He highlighted the 5 Findings:

- ❖ Some Hazardous Materials Facilities were not identified for inspection due to the lack of reconciliation between the Hansen Permit System and the SAP Billing System.
- ❖ Some Facilities were not on record and were not being billed.
- ❖ 153 Tier II Hazard Materials Facilities were not being billed accurately.
- ❖ Some information was not accessible via the Hansen Permit System, requiring Inspectors to contact off-site Administrators.
- ❖ Past due amounts have not been collected by the Fire Department.

Fire Chief Hood provided detail on past fires within the City that had spurred the need for Hazardous Materials Inspections and to ensure building safety.

Councilmember Warrick asked for examples of non-compliance. Mr. Chris Monestier replied that improper storage was the most common violation identified by inspectors.

Mr. Tom Nichta asked for detail regarding inspections. Mr. Monestier noted that inspections are conducted based on the size of the company and facility under examination.

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

3. AU15-030 Aviation Billing and Collections Process for Leases

Mr. Mark Bigler reported that the San Antonio International Airport and Stinson Municipal Airport provide lease space for both aviation related and non-aviation related purposes such as hangar space, gate usage, ticket counters, offices, warehouses, and cell towers. He stated that the Audit Objective was to determine if the billings and collections process of Aviation Leases was effective and in accordance with lease terms. He noted that the Audit Scope was from October 2013 through June 2015 and that the audit concluded that the Aviation Billings and Collections process over non-concession leases is effective and in accordance with lease terms. He added that no findings were identified.

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

4. AU15-015 Human Resources Third Party Benefit Vendor Contract Monitoring

Mr. Buddy Vargas reported that Human Resources (HR) Staff in partnership with the City's Third Party Administrator (TPA) is responsible for the design, administration, education, and customer service of the following programs:

Health Care Plan	Dental Plan	Vision Plan
Life Insurance Plan	Employee Assistance Program	Voluntary Benefits Coverage
Wellness Program	Occupational Medical Clinic	Deferred Compensation
Short & Long Term Disability Plans		

Mr. Vargas stated that the objective of the Audit was to determine if HR was properly managing and monitoring its Third-Party Health Insurance Providers to ensure compliance with all contract terms and conditions. He

noted that the Audit Scope included contract related provisions from January 2013 through March 2015 and did not include insurance claims. He reported that the Audit concluded that HR Management was not effectively managing and monitoring the healthcare and benefit TPA Vendors. He highlighted 4 Findings:

- ❖ Monitoring of contract provisions and performance standards as well as a lack of procedures to ensure third party compliance with contractual requirements.
- ❖ Business Associate Agreements (BAA) did not address current HIPAA requirements.
- ❖ Lack of controls to ensure updates to employee and dependent Personally Identifiable Information (PII) is accurate.
- ❖ Lack of controls to ensure appropriate user access to PII maintained on the City's network and monitor TPA vendor application user access.

Mr. Vargas noted that HR Management concurred with recommendations and developed a corrective action plan.

Ms. Lori Steward reported that the lack of documentation had been addressed. She noted that an employee had been assigned to the Fiscal Division to ensure compliance. She added that Contract Administrative Plans had been implemented and that quarterly reviews were now taking place. She stated that some legal changes had yet to be implemented on certain BAA at the time of the Audit although the contracts required the vendors to comply with HIPAA at all times.

Mr. Nichta asked for detail regarding HIPAA compliance. Mr. Ben Gorzell replied that contract provisions required that vendors comply with all updated HIPAA requirements at all times. Ms. Martha Sepeda highlighted contract provisions that indemnified the City of San Antonio in the event of a HIPAA violation by a vendor.

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

5. AU15-F02 Finance P-Card Program Follow Up

Ms. Sandy Paiz reported that the Office of the City Auditor completed an Audit of the Finance Department's Purchasing Card Program in November 2014 and that the original objective of the Audit was to ensure that the Purchasing Card Program was managed in compliance with policies and procedures. She noted that the audit concluded that the Purchasing Card Program was not managed in compliance with policies and procedures. She stated that the objective of the Follow Up Audit was to determine if Finance Management had successfully implemented action plans to address prior Audit recommendations relating to the Purchasing Card Program. She added that the audit scope was limited to the recommendations and corresponding action plans from the original report for the time frame of FY 2015.

Ms. Paiz stated that the Finance Department had implemented action plans to address the three recommendations from the prior Audit. She highlighted said action plans:

- ❖ The Program's website and policies were updated and included detailed guidance on responsibilities and standard processes.
- ❖ Periodic reviews and monthly monitoring procedures were implemented to ensure that transactions were valid and recorded properly.
- ❖ Training was conducted for all purchasing card system users to include site administrators and program administrators.
- ❖ User roles were monitored by Finance to ensure that duties are appropriately segregated in the Wells Fargo Commercial Card Expense Reporting (CCER) System.

Ms. Paiz detailed one area of improvement with regard to the process of sweeping of accounts. She stated that not all unapproved purchases were communicated to their respective departments. Mr. Troy Elliott added that their department has implemented improvement plans dating back to 2008.

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

FY 2016 Audit Plan Status

6. FY 2016 Annual Audit Plan as of March 31, 2016

Mr. Kevin Barthold stated that the FY 2016 Annual Audit Plan was proceeding as scheduled and noted that there were no issues to be addressed at this time.

High Profile Contract Subcommittee Items

Select High Profile Pre-Solicitation Briefings

7. River Barge Concession

Mr. John Jacks provided an overview of the RFP for the River Barge Concession Services Contract. He stated that the solicitation had an estimated value of \$110 million in revenue and that the proposed term was 10 years in duration. He highlighted the Barge Design, Barge Fabrication, and Barge Operation components of the project and detailed the Solicitation Requirements. He detailed the composition of the Project Evaluation Committee and projected timeline.

Chairman Saldaña asked for detail regarding next steps. Mr. Jacks provided a timeline of future events including approval, and possible extensions.

No action was required for Item 7.

Select High Profile Post-Solicitation

8. Gas Station Concession at the San Antonio International Airport

Mr. Tom Jones provided an overview of the Gas Station Concession Solicitation at the San Antonio International Airport. He stated that the contract had an estimated value of \$3.044 million over a 20-year term with a proposed term of 20 years with two 10 year extension options. He detailed the project timeline and noted that only one respondent submitted for the solicitation. He discussed the lack of gas stations near the airport and the associated impact. He referenced the solicitation requirements and the Project Evaluation Committee Members.

Mr. Elliott reported that Due Diligence had been conducted with no issues identified. Mr. Barthold added that the City Auditor's Review revealed no findings.

Councilmember Warrick asked for detail regarding revenue. Mr. Jones replied that Ground Rent Revenue provided the majority of income plus a percentage of sales including gas sales. Councilmember Warrick asked

for detail regarding SBEDA companies and business opportunities. Ms. Lisa Brice provided examples of outreach to small businesses and capacity building with targeted vendors.

Councilmember Warrick moved to forward the Item to the Economic and Human Development Council Committee and the full City Council for consideration. Citizen Member Nichta seconded the motion. The motion carried unanimously.

Consent High Profile Pre-Solicitation

9. Annual Contract for Event Attendant Services at the Alamodome

Ms. Patricia Muzquiz Cantor presented an overview of the Event Attendant Services at the Alamodome Solicitation with an estimated value of \$8.5 million. She stated that the contract was a new contract, having previously been conducted by in-house staff. She detailed expected duties and services associated with the Solicitation and discussed contract requirements.

Mr. Mike Sawaya stated that said services were provided by temporary workers. He noted that the pool of temporary workers had been previously exhausted by multiple major events held on the same dates and discussed the need for dedicated temporary staffing at the Alamodome.

No action was required for Item 9.

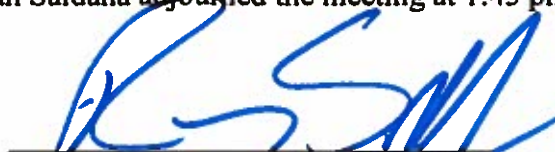
ADJOURN

There being no further discussion, Chairman Saldaña adjourned the meeting at 1:43 pm.

ATTEST:



Leticia Y. Saenz, TRMC
Deputy City Clerk



Rey Saldaña, Chairman