

**AUDIT COUNCIL COMMITTEE MEETING
MINUTES**

**MAY 31, 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:	Sheryl Sculley, <i>City Manager</i> ; Peter Zanon, <i>Deputy City Manager</i> ; Carlos Contreras, <i>Assistant City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Leticia Vacek, <i>City Clerk</i> ; Martha Sepeda, <i>Acting City Attorney</i> ; Fred Garcia, <i>Municipal Court Clerk</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Hugh Miller, <i>Chief Technology Officer</i> ; Troy Elliott, <i>Director of Finance</i> ; David McCary, <i>Director of Solid Waste Management</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> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Wanda Heard, <i>Assistant Director of Human Resources</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> ; Denice F. Treviño, <i>Office of the City Clerk</i>

CALL TO ORDER

Chairman Saldaña called the meeting to order.

1. Approval of the Minutes from the April 19, 2016 Meeting of the Audit Committee

Councilmember Warrick moved to approve the Minutes of the April 19, 2016 Audit Council Committee Meeting. Citizen Member Nichta seconded the motion. The motion carried unanimously by those present.

2. AU15-025 Audit of Solid Waste Management Department Recycling Contract and Program

Ms. Sandy Paiz reported that the Audit was requested by Management. She provided background on Solid Waste Management Department's (SWMD) mission to protect the public health and safety of the City and to provide recycling services that are safe, efficient, cost effective, and environmentally responsible. She stated that the City awarded a 10-year contract to River Recycling LLC (doing business as ReCommunity) to provide Recycling Processing Services in June 2013. She added that the Contract provides estimated net revenue of \$11.5 million to the Solid Waste Operating and Maintenance Fund for the 10-year contract period which commenced on August 1, 2014. She explained that the City pays a processing fee for all materials delivered by SWMD to ReCommunity's Facility while receiving a share of the revenue that ReCommunity receives from selling the recycling commodities. She noted that net revenue to the City was approximately \$585,000 in fiscal year 2015.

Ms. Paiz stated that the Audit Objective was to determine if key components of the City's Recycling Program were accurately monitored, supported, and in compliance with the ReCommunity Contract Terms. She noted that the Audit Scope included SWMD's Recycling and Resource Recovery Goals and Strategies for the Recycling Program from Fiscal Year 2013 through September 2015. She added that the Audit Scope also included monitoring of contract requirements between the City and ReCommunity Recycling. She reported that the Audit concluded that the City's Recycling Program is accurately monitored, supported, and in compliance with the ReCommunity Contract Terms. She mentioned that there are monitoring controls in place to track progress toward reaching their 10-year Recycling and Resource Recovery Goals. She explained that there were no recommendations made for the Audit.

Councilmember Warrick asked for more information regarding internal controls. Mr. David McCary replied that there were internal controls as well as weekly meetings conducted in order to share information and updates with personnel and other City Departments.

Mr. Tom Nichta asked about Contract Estimated Revenues. Mrs. Sculley highlighted fluctuations in the price of commodities that had impacted Contract Estimated Revenues. Mr. Nichta asked how recycling materials are monitored. Mr. Peter Zanoni replied that City Staff inspects recycled material to minimize contamination. Mr. McCary highlighted neighborhood outreach as well as educational programs.

Chairman Saldaña asked for more information regarding the Recycling Program. Mr. McCary highlighted education and outreach efforts throughout the City and added that Solid Waste Management Department had been in operation for over 20 years.

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

3. AU15-029 Audit of Transportation and Capital Improvements Department Henry B. Gonzalez Convention Center Expansion Contingency Funds

Mr. Kevin Barthold reported that the Audit was requested by Management. He stated that there was approximately \$20 million in Contingency Funds including the Design-Build Contingency in the amount of \$14 million. He noted that said Contingency was controlled by Hunt-Zarchry and that the Contingency Funds cover unexpected costs that arise during execution of the project. He explained that the second Contingency was the Shared Contingency in the amount of \$3.2 million and required approval by both the Contractor and the City in order to be utilized. He added that the third Contingency was the Owner's Contingency in the amount of \$3.5 million and controlled by the City.

Mr. Barthold stated that the Audit concluded that controls were in place and that all funds were properly approved and had support in place. He added that all expenditures were true Contingency Expenses with items paid for properly. He explained that there were no recommendations as the Audit was a clean report.

Ms. Debbie Racca-Sittre highlighted collaborative efforts with the City Auditor's Staff and thanked him for collaboration in helping achieve a clean Audit Report.

Councilmember Gonzales asked for detail on the allocation of the Contingency Funds. Ms. Racca-Sittre replied that Contingency Funds were normally 3-5% of the Project Expenditures. She added that the smaller projects usually result in larger contingency percentages. Mrs. Sheryl Sculley explained that the Project was funded through the Hotel Occupancy Tax.

Councilmember Warrick asked how Project expenses were determined. Ms. Racca-Sittre highlighted the Negotiation Process and added that the Bidding Process was open and competitive.

Citizen Member Nichta asked for detail regarding damage to the Lila Cockrell Theatre. It was reported that recent rainfall had overwhelmed the drainage system and flooded the stage of the Lila Cockrell Theatre. Mr. Barthold added that the flooding was paid out of the Contingency Funds and had been refunded by the Insurance Provider.

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

4. AU16-029 Audit of Transportation and Capital Improvements Department Advanced Transportation District Fund

Mr. Kevin Barthold reported that the Audit was requested by the City Council and examined the Advanced Transportation District (ATD) Fund which had been in place since 2004. He stated that a portion of Sales Tax funded the ATD and is shared between the City of San Antonio, VIA Metropolitan Transit, and the Texas Department of Transportation. He explained that the Audit Objective was to determine if the ATD Funds were spent in compliance with State and City Requirements including the need to ensure that all funds were used for transportation and were properly authorized and supported. He noted that ATD Projects were managed by the Transportation and Capital Improvements Department and that the Audit Scope reviewed projects from 2013, 2014, and 2015. He explained that the Audit concluded that controls were in place and that all expenses were allowable and properly approved and supported. He added that the Audit was a clean report.

Chairman Saldaña asked of compliance and the flexibility of ATD Funds. Mr. Barthold replied that ATD Funds were compliant with State Statutes and City Ordinances, Administrative Directors, and established policies and procedures. He added that all Funds were Transportation-Related.

Councilmember Warrick asked of Transportation-Related Funding prior to the ATD being established. Ms. Racca-Sittre replied that the ATD was approved by voters and that prior to the inception of the ATD, the General Fund would pay for Transportation-Related Expenses. She explained that the majority of funding supports sidewalks, school crossings, and traffic signage. Mrs. Sculley added that the Traffic Signalization Program was implemented approximately 9 years ago with the purpose of connecting all signals to better manage and improve traffic flow. She stated that the ATD assisted with the success of the Traffic Signalization Program and had allowed for the installation of 1,400 additional traffic signals. She noted that the City Council determines how to allocate ATD Funding.

Citizen Member Nichta asked how the State determines best use of funding. Mrs. Sculley replied that the State works with Bexar County to determine how best to allocate Transportation Funding. Mr. Nichta asked if funding can be carried over from previous years. Mr. Barthold confirmed that funding can be carried over from previous years. Mr. Nichta asked for clarification regarding the Prime Link Software. Ms. Racca-Sittre replied that the Prime Link Software manages all Change Orders, Requests for Information, and is a central repository compatible with the SAP Financial System. She reported that TCI uses the software that is specific to Capital Projects and is used to pay all invoices to contractors. Mrs. Sculley explained that quick payment to contractors allows for greater business opportunities.

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

5. AU15-003 Audit of Center City Development & Operations Parking Enforcement Division

Mr. Kevin Barthold reported that the Parking Enforcement Division works throughout the City and the Audit Objective was to determine if Parking Enforcement Operations are managed in accordance with City Ordinances and Policies. He stated that the Audit Scope included current Parking Enforcement Operations in addition to citations issued in FY 2014 and FY 2015 through March 31, 2015. He explained that the Audit concluded that the Parking Enforcement Division was effectively enforcing parking ordinances and restrictions but identified areas for administrative improvement including:

1. Parking violators with multiple violations were not being addressed according to City Ordinance which establishes additional penalties.
2. Officer's safety environment improvements were needed.
3. Reconciliations between Parking Citations issued and the Municipal Court's Incode System were not being performed.
4. Evidence supporting reasons for citations was inconsistent.
5. Handicap Parking enforcement was not in compliance with State Code.
6. Controls to ensure the propose usage of City Vehicles were inadequate.
7. Logical System Access to citation writers was insufficient.

Mr. Barthold noted that all improvements had been addressed by management.

Mr. John Jacks stated that corrective action had been made on all improvement areas through the addition of technology or additional training. He added that regular meetings with Code Enforcement were taking place to share training information and Best Practices.

Councilmember Warrick asked when follow up reviews would take place. Mr. Barthold reported that a Follow Up Audit would be conducted sometime in the next fiscal year and would be limited to the specific items identified in the original Audit. Councilmember Warrick asked for more detail regarding the implementation of new technology. Mr. Jacks replied that new handheld units were being provided to Officers and that said units would eliminate the need for hand-written citations and would enable officers to provide photographic evidence with citations.

Citizen Member Nichta asked of the Brazos System. Mr. Troy Elliott replied that the Brazos Software is used by Parking Enforcement Officers to sync their devices and upload into the Case Management System at the Municipal Court. He added that the City licenses the use of the Brazos System. Mr. Nichta asked if proper document and evidence were considered as part of the Employee Review Process for Parking Enforcement Officers. Mr. Jacks replied that they were included as part of a Quarterly Performance Review and Quality Control Reviews randomly examine previous citations for proper documentation.

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

FY 2016 Audit Plan Status

6. FY 2016 Annual Audit Plan as of April 30, 2016

Mr. Kevin Barthold reported that there were 17 reports with several in the final stages. He noted that a significant number of reports would be coming out in the next 30 days or so.

Chairman Saldaña asked for information regarding the Telecom Right of Way Audit. Mr. Barthold replied that information was collected in three month intervals.

High Profile Contract Subcommittee Items

Select High Profile Pre-Solicitation Briefings

7. Utility Service Line Warranty Program

Mr. Jeff Pullin reported that the Warranty Program provides Utility Service Line Warranties for water, sewer, and indoor plumbing to customers. He stated that the Request for Proposals (RFP) was issued October 30, 2015 with an estimated total contract value of \$2.5 million. He noted that it was a new contract for the City and would involve a Policy Consideration where the City would endorse a company, allowing it to use the City's name and logo, in exchange for compensation. He added that the Program had a proposed term of 3 years with two 1-year options to extend.

Mr. Pullin detailed the Project timeline including:

- Release of the RFP on October 30, 2015
- RFP deadline of December 11, 2015
- Evaluation completed on March 8, 2016
- City Council consideration and a target start date of June 2016

Mr. Pullin described the Homeowner Warranty Options. He stated that the Program creates public awareness on options to help homeowners mitigate risk and provides 24/7 customer service through a call center. He noted that all repairs would be performed to City Code Specifications and that any homeowner could participate in the Program with no deductibles, no annual limit, and no lifetime limit. He reported that there was no cost or liability to the City and that the Program included a Low-Income Assistance Program. He highlighted Solicitation Requirements including the Experience, Background, Qualifications, Proposed Plan, Cost Proposal, and SBEDA Subcontracting Requirements. He detailed the membership of the Project Evaluation Committee.

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

Consideration of High Profile Solicitations for Release

8. CD3 Spay/Neuter Clinic Service Agreement Operation and Management of the Paul Jolly Center Self-Insured Workers' Compensation Third Party Claims Administration & Claims Administration Software

Mr. Troy Elliott explained that all three items on the Consent Agenda were ready for solicitation release. He reported that the CD3 Spay/Neuter Clinic Service Agreement and Operation and Management of the Paul Jolly Center were on identical timelines and scheduled for solicitation release on June 5, 2016 and scheduled to close on July 6, 2016. He added that the Self-Insured Workers' Compensation Third Party Claims Administration & Claims Administration Software was scheduled for solicitation release on June 7, 2016 and scheduled to close on July 11, 2016. He noted that the Contract was valued at \$6.1 million.

Councilmember Gonzales asked for information regarding services available at the Paul Jolly Center. Mr. Xavier Urrutia reported that the Paul Jolly Center was divided into the Adoption Center and a Clinic Area. He stated that the Clinic was a different facility from the Adoption Center.

Councilmember Warrick moved to forward the Items to the full City Council for Consideration. Citizen Member Nichta seconded the motion. The motion carried unanimously.

Consideration of Completed High Profile Solicitations

9. On-Call Architectural Services

Design Services for Terminal A/B Connector and Security Checkpoint Expansion

Mr. Troy Elliott reported that the On-Call Architectural Services Solicitation had received 13 respondents and had a total contract value of \$2 million with a contract term of one year and three 1 year options to renew. He added that the Item was scheduled for City Council consideration on June 9, 2016. He explained that the Design Services for Terminal A/B Connector and Security Checkpoint Expansion Solicitation had received 7 responses. He noted that the Solicitation had a total contract value of \$5.3 million and was scheduled for City Council consideration in August 2016.

Chairman Saldaña asked for details regarding the On-Call Architectural Services Solicitation. Ms. Debbie Racca-Sittre replied that the Solicitation would provide emergency architectural services as well as related services for smaller architectural projects.

Citizen Member Nichta asked for information regarding the Design Services for Terminal A/B Connector and Security Checkpoint Expansion. Mr. Carlos Contreras replied that the expansion would allow for increased access and improved traffic flow at the Airport.

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

Other

10. 2016 Annual High Profile Report Updates

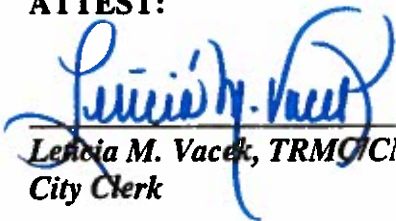
Mr. Troy Elliott provided a briefing on updates to the Fiscal Year 2016 Annual High Profile Report and explained that items would be selected for Individual Presentation or Consent Agenda Presentation. He noted that High Profile Designation was reserved for contracts valued at over \$1 million with a high level of community interest and were highly complex or technical in nature. He detailed solicitations in process, solicitations to be released, and solicitations deleted. He provided an overview of solicitations that were added to the Fiscal Year 2016 High Profile Solicitations.

No action was required for Item 10.

ADJOURN

There being no further discussion, Chairman Saldaña adjourned the meeting at 1:14 pm.

ATTEST:



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



Rey Saldaña, Chairman