

# AUDIT COUNCIL COMMITTEE MEETING MINUTES

NOVEMBER 15, 2016 at 11:30 AM  
CITY HALL, MEDIA BRIEFING ROOM

Committee Present:	Councilmember Rey Saldaña, <i>District 4, Chair</i> Councilmember Shirley Gonzales, <i>District 5</i> Citizen Member Tom Nichta
Committee Absent:	Councilmember Alan E. Warrick II, <i>District 2</i>
Staff Present:	Kevin Barthold, <i>City Auditor</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer &amp; Director of Finance</i> ; Andy Segovia, <i>City Attorney</i> ; Mike Sawaya, <i>Director of Convention &amp; Sports Facilities</i> ; Melinda L. Uriegas, <i>Assistant City Clerk</i> ; Jon Kaplan, <i>Assistant City Attorney</i> ; Melanie Seale, <i>Assistant Director of Finance</i> ; Patricia Cantor, <i>Assistant Director of Convention &amp; Sports Facilities</i> ; Kevin Goodwin, <i>Assistant IT Director</i> ; John Rodriguez, <i>Assistant IT Director</i> ; Michael Sindon, <i>Assistant Director of Economic Development</i> ; Tina J. Flores, <i>Compliance Auditor</i> ; Buddy Vargas, <i>Audit Manager</i> ; Mark Bigler, <i>Audit Manager</i> ; Sandra Paiz, <i>Audit Manager</i> ; Christopher Moreno, <i>Auditor</i> ; Reina Sandoval, <i>Auditor</i> ; Gabriel Trevino, <i>Auditor</i> ; Natasha Leach, <i>Auditor</i> ; Cecilia Gonzalez, <i>Auditor</i> ; Matt Howard, <i>Auditor</i> ; Victoria Roeder, <i>Controller</i> ; Norbert Dziuk, <i>Lead Procurement</i> ; Jeff Knippel, <i>Program Manager</i> ; Ryan Evans, <i>Contract Coordinator</i> ; Patsy Boozer, <i>ITSD</i> ; Rebecca De La Garza, <i>Office of the City Manager</i> ; Alexander Pytel, <i>Office of the City Clerk</i>
Others Present:	Ramon Contreras, <i>Catalyst Advisors, LLC</i>

## CALL TO ORDER

Chairman Saldaña called the meeting to order. He noted that the Audit Committee had been allotted an hour for business and would then move to the High Profile Contracts Subcommittee.

It was noted that Councilmember Warrick was in Washington, D.C. on City Business and would not be present for the meeting.

### 1. Approval of the Minutes from the October 25, 2016 Meeting of the Audit Committee

Citizen Member Nichta moved to approve the Minutes of the October 25, 2016 Audit Council Committee Meeting. Councilmember Gonzales seconded the motion. The motion carried unanimously by those present.

## **Final Reports to be Discussed**

### **2. AU16-015 Audit of ITSD Hardware and Software Lifecycle Management Process**

Ms. Sandy Paiz provided a background on the Hardware and Software Lifecycle Management Process utilized by Information Technology Services Department (ITSD). She reported that ITSD Personnel are responsible for addressing the technology needs of the City and that Service Coordinators facilitate the Approval Process for requested hardware and software. She stated that the objective of the Audit was to determine if current processes are appropriate and satisfy the needs of City Staff. She described the Scope of the Audit and noted that the Audit determined that Internal Controls needed improvement to ensure effective management. She highlighted the areas where processes could be improved:

- ❖ Critical information was not adequately and consistently included in the Inventory System
- ❖ Inventory had not been conducted since 2014
- ❖ Processes and procedures were not being reviewed
- ❖ Access was not being adequately monitored

Ms. Paiz mentioned that ITSD Management had agreed with the Audit Findings and had implemented corrective Action Plans.

Mr. Kevin Goodwin reported that implementation of the Remedy System was completed in 2011 and that said System managed Technology Assets and Services for the City of San Antonio. He stated that the new Procurement System was purchased in 2011 and that the Remedy and Procurement Systems assist with the deployment and management of IT Assets. He reported on Audit Findings and mentioned that purchases made outside of ITSD were not coded correctly or properly incorporated into the Remedy System. He added that, as a result, IT Personnel had taken over administrative oversight of technology procurements in order to ensure correct coding and management.

Mr. Goodwin stated that the movement of PC Equipment needed to be addressed in order to ensure proper management by ITSD. He mentioned that inventory would be updated with assistance from the Finance Department. He added that access to update the Remedy System would be narrowed.

Citizen Member Nichta asked for detail regarding personnel needs. Mr. Goodwin replied that he and Mr. John Rodriguez were the IT Managers responsible for incorporating approvals as part of the IT Governance Process. He noted that a change made to this process was to ensure that personnel reporting this information were made accountable through the financial aspect of the Hardware and Software Management Process. Citizen Member Nichta asked if there was a process in place for moving Hardware. Mr. Ben Gorzell replied that there was a process in place that would be formalized in order to ensure that Hardware was properly managed by ITSD. He added that the process would be automated to assist in the management of inventory by providing automatic updates as equipment moved.

Councilmember Gonzales asked if there was specific Software which could be utilized to track equipment. Mr. Goodwin highlighted the limits of using Tracking Software and noted that said would not provide the coverage needed by the City. Mr. Gorzell added that some Hardware does not have a long lifecycle and is replaced often, requiring tighter control in order to manage. Councilmember Gonzales asked what processes were undertaken when equipment became outdated. Mr. Goodwin reported that different equipment had different values after the conclusion of their lifecycles. He stated that there was an agreement in place to allow the City to reclaim a portion of the value of retired equipment.

Citizen Member Nichta moved to accept the report. Councilmember Gonzales seconded the motion. The motion carried unanimously by those present.

### **FY 2017 Audit Plan Status**

#### **3. FY17 Annual Audit Plan Status as of October 31, 2016**

Mr. Kevin Barthold stated that 3 Audit Reports had been issued in the first month of Fiscal Year 2017 and that the Follow-Up of the San Antonio Police Department Crisis Management Audit had been scheduled for presentation in April 2017. He reported that 15 of the FY 2016 Audits were in the Final Phases and would be completed in January 2017.

No action was required for Item 3.

<b>High Profile Contracts Subcommittee Items</b>
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### **FY17 Annual High Profile Report**

#### **4. FY 2017 Annual High Profile Listing**

Mr. Troy Elliott reported that the Finance Department was working with City Departments to identify anticipated items. He stated that 41 Items were estimated to come through the High Profile Contracts Subcommittee and that Routine Items would be presented on the Consent Agenda while Pre and Post Solicitation Items would be denoted as Individual Consideration Items on the Agenda. He mentioned that the Listing would change as Departments provide additional information.

No action was required for Item 4.

### **Select High Profile Pre-Solicitation**

#### **5. External Independent Audit Services**

Mr. Troy Elliott provided an overview of the Solicitation which was classified as a Request for Proposals with an estimated value of \$4.3 Million for a 5-year period. He stated that External Audits were required by Statute and City Charter and that the last two contracts had utilized a Prime Contractor to manage Subcontractors. He mentioned that prior to this, multiple contracts were utilized with multiple contractors and that said to be proved administratively burdensome. He detailed the Scope and Requirements of the Solicitation and the Scoring Information. He

highlighted the SBEDA Subcontracting Requirements and Outreach Efforts which utilized the Central Vendor Registry and advertising outlets. He discussed the Project Evaluation Committee Membership which would include an Independent Member from the City and added that the Solicitation would return to the Subcommittee for review in February with full City Council Consideration scheduled for March. Mr. Ben Gorzell noted that if selected, Mr. Santos Fraga of Padgett Stratemann & Company, could no longer be the Lead Engagement Partner and that a new Lead Partner would be assigned. He mentioned that there had been no Performance Issues thus far and that based on the competitive nature of the Contract, a Request for Competitive Sealed Proposals was recommended.

Citizen Member Nichta asked for detail on the assignment of SBEDA points. Mr. Elliott replied that assignment of points was determined by the Goal Setting Process and that additional points could be awarded if the minimum requirements were surpassed. Mr. Gorzell noted that if minimum requirements were not met; a Vendor would not be considered. Mr. Elliott reported that the Small Business Office would validate the Subcontractors.

Councilmember Gonzales moved to accept the report. Citizen Member Nichta seconded the motion. The motion carried unanimously by those present.

## **Select High Profile Post-Solicitation**

### **6. River Barge Fabrication**

Mr. John Jacks provided a briefing on River Barge Fabrication. He reported that the Item was designated as High Profile with an estimated value of \$6.5 Million for a 12-month term. He stated that the Item was divided into 3 distinct processes which include the Design Competition, the Fabrication Process, and the Operation of the River Barges. He reported that the Solicitation was released in August 2016 and required for Vendors to deliver a Prototype for testing. The selected Vendor was required to have Barges delivered and operational prior to the start of Tricentennial Celebrations. He highlighted the Solicitation Timeline:

- ❖ Submission Deadline of October 7, 2016
- ❖ High Profile Contracts Subcommittee Briefing on November 15, 2016
- ❖ City Council Consideration on December 1, 2016

Mr. Jacks stated that 43 Barges were being constructed which would seat 44 Passengers and would be ADA Accessible. He added that the Barges would be battery powered with an Electric Propulsion System which would enable an 11-hour run time with a 5-hour charging time. He highlighted the Evaluation Criteria and the SBEDA Points. He mentioned that no Audited Statements were required and detailed the Project Evaluation Committee which included architects, Electrical Manufacturing experts, and advisory members from other City Departments. He detailed the Scoring Matrix and noted that 4 Vendors were interviewed. He reported that Vendor B was scored the highest overall but that Vendor A was more competitive in pricing and was thus the recommended Vendor. Mr. Troy Elliott noted that one Vendor had failed to meet the submission deadline and was not considered. He stated that no other issues were presented. Mr. Kevin Barthold added that there were no issues identified on the City Auditor's Review.

Citizen Member Nichta asked for detail on the price differential between Vendor A and Vendor B. Mr. Elliott replied that the price differential computed to approximately \$8 million. He added that Vendor A has relevant experience, qualifications, and background.

Citizen Member Nichta moved to forward the Item to the full City Council for consideration. Councilmember Gonzales seconded the motion. The motion carried unanimously by those present.

#### **7. CMR Services for Early Works Utilities Infrastructure HemisFair Civic Park Post-Solicitation Update**

Ms. Christie Chapman presented an overview of the Solicitation. She highlighted the Evaluation Criteria and reported that the estimated value of the Solicitation was \$13 Million. She detailed the Project Timeline and noted that the Item was scheduled for City Council Consideration on December 1, 2016. She discussed the Guaranteed Price requirement and noted that construction could begin prior to Design Finalization. She stated that Phase I would entail Site Preparation as well as utility work which would be completed before Phase II of the Process which was the construction of the Park. She provided an overview of the SBEDA Contracting Requirements, the Project Evaluation Committee, and the Scoring Matrix. She added that six firms responded to the first Phase and two were asked to participate in an interview for Phase II selection. She mentioned that over 600 Vendors were contacted and that there were no Due Diligence Findings. Mr. Troy Elliott noted that no Findings were identified. Mr. Kevin Barthold added that there were no Findings identified on the City Auditor's Review.

Chairman Saldaña requested clarification on the number of respondents and pricing. Ms. Chapman clarified that six Vendors had submitted proposals and that two were interviewed. She noted that the Vendors would be expected to provide details on their pricing as part of Phase II. Mr. Jeff Knippel added that the larger Firm asked for a higher price.

Citizen Member Nichta asked if the City of San Antonio validates the proposed pricing. Ms. Chapman reported that a Fee Schedule is utilized to validate expected costs.

Councilmember Gonzales moved to forward the Item to the full City Council for Consideration. Citizen Member Nichta seconded the motion. The motion carried unanimously by those present.

#### **Consideration of High Profile Solicitations for Release**

#### **8. Annual Contract for Custodial and Supplemental Conversion Services at CSF Annual Contract for Elevator and Escalator Preventative Maintenance for Convention and Sports Facilities On-Call Capital Program Management Staff Augmentation**

Mr. Troy Elliott reported that the Items were pending release. He noted that the Elevator Maintenance Contract would be a flat Five Year Term with a Five Year option for renewal as recommended by a consultant. He added that the Elevator Maintenance Contract would examine incorporating other Elevator Contracts as well. He stated that the Items would be revisited at a later time. Mr. Carlos Contreras mentioned that this would enhance the current Project Delivery Staff.

No action was required for Item 8.

## **Consideration of Completed High Profile Solicitations**

### **9. Storm Water System Televising, Mapping, and Condition Testing Annual Contract for Rigging Services**

Mr. Troy Elliott provided an overview of the Storm Water System Televising, Mapping, and Condition Testing Solicitation and the Annual Contract for Rigging Services. He reported that both items had completed the Evaluation Process and were being presented on the Consent Agenda for review and consideration.

Citizen Member Nichta asked for detail regarding the Storm Water Televising Process. Ms. Christie Chapman replied that a camera was run through the Storm Water Underground System in order to assess the condition of pipes and identify areas of improvement. She added that once improvements were identified, Vendors were secured by the City to make required repairs.

Citizen Member Nichta moved to forward the Items on the Consent Agenda to the full City Council for Consideration. Councilmember Gonzales seconded the motion. The motion carried unanimously by those present.

## **Executive Session**

Chairman Saldaña recessed the Committee Meeting into Executive Session at 11:56 am to deliberate the Security Audits pertaining to the Follow-Up Information Technology Services Department Citrix Security Audit and the Information Technology Services Department Mobile Computing Security Audit, pursuant to Texas Government Code Section 551.076 (Deliberations regarding Security Devices or Security Audits) and discuss Legal Issues pertaining to the High Profile Contracts on this Agenda, pursuant to Texas Government Code Section 551.071 (Consultation with Attorney).

Chairman Saldaña reconvened the Committee Meeting at 12:26 pm and announced that no action was taken during the Executive Session.

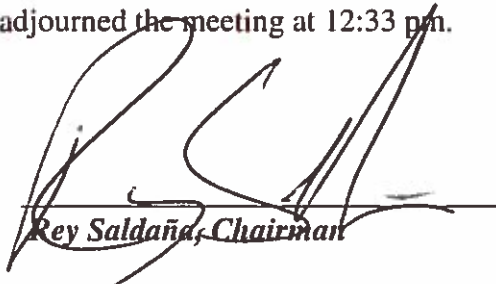
Citizen Member Nichta moved to accept the Audit. Councilmember Gonzales seconded the motion. The motion carried unanimously by those present.

## **ADJOURN**

There being no further discussion, Chairman Saldaña adjourned the meeting at 12:33 pm.

## **ATTEST:**

  
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**Melinda L. Uriegas, TRMC**  
**Assistant City Clerk**

  
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**Rey Saldaña, Chairman**