

AUDIT COUNCIL COMMITTEE MEETING MINUTES

**FEBRUARY 21, 2017 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> Citizen Member Tom Nichta
Committee Absent:	Councilmember Shirley Gonzales, <i>District 5</i>
Staff Present:	Ben Gorzell, <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer & Director of Finance</i> ; Russ Handy, <i>Director, Aviation Department</i> ; Vincent Nathan, <i>Director, Metro Health</i> ; Bridgett White, <i>Director, Department of Planning and Community Development</i> ; Kevin Goodwin, <i>Interim IT Director</i> ; Michael Sindon, <i>Assistant Director of Economic Development</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Sandy Paiz, <i>Audit Manager</i> ; Buddy Vargas, <i>Audit Manager</i> ; Mark Bigler, <i>Audit Manager</i> ; Nancy Sheppard, <i>Department of Planning and Community Development</i> ; Tina Flores, <i>Compliance Auditor</i>

CALL TO ORDER

Chairman Saldaña called the meeting to order. Councilmember Gonzales was attending a Trade Mission in Puebla, Mexico.

1. Approval of the Minutes from the January 17, 2017 Meeting of the Audit Committee

Councilmember Warrick moved to approve the Minutes of the January 17, 2017 Audit Council Committee Meeting. Citizen Member Nichta seconded the motion. The motion carried unanimously by those present.

Final Reports to be Discussed

2. AU16-C02 Audit of Information Technology Services Department Citywide Structured Cabling Contract

Mark Bigler stated that through the Texas Department of Information Resources (DIR) Contract, the City utilized Presidio Networked Solutions Group, LLC (Presidio) to provide citywide structured cabling services. He noted that the objective of the audit was to determine if the City and Presidio were in compliance with contract terms and if the contract was properly monitored. He stated that the audit scope included contract monitoring efforts and compliance with terms for the Information Technology Services Department (ITSD) Citywide Structured Cabling Contract for the period of May 1, 2015 to December 31, 2015. He noted that to establish test criteria and methodology; DIR Contract Terms, Information Technology Services Department ITSD Policies and Procedures, and City Administrative Directives were examined. He stated that ITSD

Management and Staff, Finance Management, Presidio Management, and DIR Personnel were interviewed to gain an understanding of the DIR Contract Obligations. He noted that a judgmental sample of purchase orders were selected and tested against contract terms for each associated invoice. He stated that the following were reviewed:

- Payment requirements and regulations
- Project management
- Insurance requirements
- Record retention
- Qualifications and experience
- Discovery and reporting of asbestos

Mr. Bigler noted that staff relied on computer-processed data in SAP, Remedy System, Presidio SharePoint Extranet and Presidio My Orders Intranet to validate payments made to the Contractor. He stated that staff's reliance was based on performance of direct tests on the data rather than evaluating general and application controls. He noted that the absence of testing general and application controls did not have an effect on the results of the audit. He stated that the performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. He noted that said standards required that staff plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. He noted that structured cabling was vital to the City's communication network which allowed the provision of essential services to the citizens of San Antonio. He stated that through testing, the following was determined:

- ITSD communicated with the vendor on a frequent basis regarding actual work performed.
- Required service documentation was properly maintained.
- Invoices were paid appropriately based on purchase order.
- Contractor and Subcontractor were properly qualified and credentials were maintained and documented.

Mr. Bigler stated that based upon the review, staff concluded that ITSD was effectively monitoring the day-to-day operations of Presidio under the Texas DIR Structured Cabling Contract. Kevin Goodwin added that the contract was utilized extensively.

Citizen Member Nichta asked of the project management. Mr. Goodwin stated that the entire service was contracted out and required project management. Mr. Nichta asked if multiple contractors were utilized. Mr. Goodwin replied that they were, and were selected based on their experience and expertise.

Councilmember Warrick moved to approve the audit. Citizen Member Nichta seconded the motion. The motion carried unanimously by those present.

3. AU16-011 Audit of Economic Development Department SBEDA Goal Setting

Buddy Vargas stated that the objective of the audit was to determine if the Small Business Economic Advocacy (SBEDA) Goal Setting Process was inclusive of relevant data and

accurately documented. He noted that the SBEDA Program provided tools to promote the utilization of Small, Minority and Women-Owned Business Enterprises (S/M/WBEs) on City Contracts. He stated that in 2011, the City Council approved major amendments to the SBEDA Program, which included the creation of a Goal Setting Committee (GSC) which would review relevant data and recommend specific SBEDA Tools to best target utilization of S/M/WBEs at both the Prime Contractor and Subcontractor Levels. He noted that the Small Business Office (SBO), a Division of the Economic Development Department (EDD), was responsible for the implementation and compliance monitoring of the SBEDA Program. He stated that the analysis of goals and incentives was based on vendor data in the Central Vendor Registry (CVR), the scope of services for a particular solicitation and comparative historic utilization, to which a recommendation would be provided from SBO to the Goal Setting Committee. He noted that GSC Members vote to accept or modify the SBO Recommendations. He stated that the GSC would set the annual aspirational and segmented annual aspirational goals for each industry category to set benchmarks for measuring the actual utilization of S/M/WBEs on an annual basis. He noted that the audit scope included the SBEDA Goal Setting Process for Fiscal Year 2015 through May 2016. He stated that staff reviewed for the inclusion of appropriate annual goals. He noted that solicitation packets were reviewed for accuracy, relevant data, and sufficient document support. He stated that staff reviewed the department outreach efforts for reasonableness. He noted that the SBEDA Goal Setting Process was inclusive of relevant data and accurately documented. He stated that EDD had policies, procedures, and controls in place to ensure the accuracy of relevant data and sufficient documentation to support the Goal Setting Process and SBEDA Program. He noted that there were no findings associated with the audit.

Rene Dominguez spoke of the great success of the SBEDA Program and the support from the City Council. He provided an overview of the goals achieved through the program.

Councilmember Warrick asked of outreach efforts. Michael Sindon highlighted the Vendor Orientation and noted the many entities they contact. He spoke of the newsletters that were published.

Citizen Member Nichta asked of the CVR and how businesses register. Mr. Sindon explained that a business would have to apply to be placed in the Central Vendor Registry. Mr. Nichta asked why information was not sent to all businesses. Mr. Dominguez replied that there were other ways to get the message out such as through Chambers of Commerce and the EDD Newsletter.

Chairman Saldaña spoke of a local vendor who signed up in Central Vendor Registry. He spoke of the strategic goals to be attained and noted that some vendors qualified to be classified in more than one business category. Rene Dominguez stated that aspirationally, all business categories were captured.

Citizen Member Nichta moved to approve the audit. Councilmember Warrick seconded the motion. The motion carried unanimously by those present.

4. AU16-013 Audit of San Antonio Health Department PHI and PH Security

Buddy Vargas stated that the Audit Objective was to determine if the San Antonio Metro Health District effectively managed customer Protected Health Information (PHI) and Personally Identifiable Information (PII) in accordance with regulations and policies. He noted that the San Antonio Metro Health District (SAMHD) was the public health agency with the responsibility for providing Public Health Programs in San Antonio and unincorporated areas of Bexar County. He stated that SAMHD's purpose was to provide services to prevent illness and injury, promote healthy behavior, and protect against hazards. He noted that an important aspect of providing services was the security of PHI and PII. He stated that PHI was any information held by a covered entity which concerns health status, provision of health care, or payment of health care which could be linked to an individual. He noted that PHI and PII data security were governed by the Health Insurance Portability and Accountability Act (HIPAA). He stated that SAMHD was responsible for ensuring that the City was in compliance with HIPAA. He noted that HIPAA compliance was performed by operational staff through the application of policies and procedures, proper training of employees, and proper security of PHI and PII Information.

Mr. Vargas stated that the Audit Scope included a review of Information Technology (IT) Systems and observation of physical locations which store electronic and hardcopy PHI and PII. He noted that staff reviewed for appropriate user access in the Netsmart and Starlims Systems and relevant documents for adherence to HIPAA. He stated that the Data Breach Notification Process was analyzed and patient data was tested for accuracy and completeness. He noted that SAMHD was effectively managing PHI and PII in accordance with regulations and policies. He stated that IT Systems utilized by SAMHD were properly secured, including required encryption. He noted that the Data Breach Notification Process had adequate controls and SAMHD Employees were properly trained related to HIPAA. He stated that patient data was accurately input in the Starlims and Netsmart Systems. He noted that opportunities for improvement were noted and that periodic reviews of user access were not performed. He stated that SAMHD lacked physical safeguards at one clinic and SAMHD Employees had not signed a confidentiality agreement. He noted that written policies and procedures regarding the disposal of electronic PHI were not developed. He stated that staff made recommendations to address the opportunities and the Director of SAMHD concurred with the recommendations and developed positive corrective action plans.

Dr. Vincent Nathan stated that management accepted the findings and were following the action plan provided.

Mr. Nichta asked if the review of data violated HIPAA Policies and Procedures. Dr. Nathan replied that HIPAA Policies and Procedures allowed for review of data as part of an audit. Mr. Nichta asked if deactivation of users was part of the termination/transfer process. Dr. Nathan replied that it was. Ben Gorzell stated that ITSD was reviewing a citywide process with Human Resources to deactivate personnel as appropriate.

Citizen Member Nichta moved to approve the audit. Councilmember Warrick seconded the motion. The motion carried unanimously by those present.

5. AU16-F01 Follow-Up Audit of the Department of Planning and Community Development Tax Increment Reinvestment Zone (TIRZ) Operations

Sandy Paiz stated that the objective of the follow-up audit was to determine if the Department of Planning and Community Development Management effectively implemented action plans to address prior audit recommendations in the TIRZ Audit. She noted that in April 2014, the Office of the City Auditor completed an audit of the Department of Planning and Community Development's (DPCD) Tax Increment Financing Program (TIF). She stated that the objective of that audit was to determine if the appropriate controls and governance structure were in place to properly manage the TIF Program. She noted that the Office of the City Auditor determined that DPCD did not have appropriate governance structures in place, resulting in operational control deficiencies. She stated that the audit scope was limited to the recommendations and corresponding action plans from the original report for the time frame of FY 2015. She noted that the audit methodology included interviewing key personnel in the TIF Unit and the Finance Department to obtain an understanding of newly implemented controls. She stated that staff reviewed source documents such as TIRZ Board meeting minutes, the amended Tax Increment Financing (TIF) Program Policy, and project and finance plans. She noted that DPCD implemented action plans to address the recommendations from the prior audit. She stated that areas which were effectively implemented included:

- Executive Management established a Governance Committee in February 2014 which would serve as counsel for the approval of new TIRZ Projects and for TIRZ Projects with issues or concerns.
- The 2008 TIF Program Policy was updated and approved by City Council in 2015. Internal policies and procedures over administration of the TIF Program were created and would be followed by department personnel.
- A standard process for updating finance plans for all TIRZ Projects had been implemented.
- Internal controls over the billing process and collection of revenue from administrative fees and the disbursements for developer reimbursements have been implemented.

Ms. Paiz noted that some administrative areas should be improved to strengthen the effectiveness of the internal controls by:

- Reviews and reconciliations should be conducted to ensure the accuracy of the financial data reported to the State Comptroller as well as the tax increment revenue invoice and collected from participating taxing entities.
- Communication of personnel in the TIF and Finance Areas which work on project deliverables for TIF needs improvement. Due to the lack of communication, work redundancies were identified with regard to project deliverables.

Ms. Paiz stated that Finance and DPCD's Management Teams agreed with the audit findings and have developed positive action plans to address them. Bridgett White addressed the issues identified by the audit.

Councilmember Warrick asked of the redundancies which were identified. Ms. Paiz stated that said redundancies resulted in the duplication of work.

Mr. Nichta spoke of a test for reasonableness within the computer system to avoid errors.

Citizen Member Nichta moved to approve the audit. Councilmember Warrick seconded the motion. The motion carried unanimously by those present.

FY 2017 Audit Plan Status

6. FY 17 Annual Audit Plan Status as of January 31, 2017

Mr. Bigler stated that the Audit Plan was progressing as scheduled with very slight lag time.

No action was required for Item 6.

Select High Profile Pre-Solicitation

7. Terminal A Duty Free Retail Concession [Aviation]

Russ Handy stated that a Request for Proposals (RFP) would be released on March 3, 2017 for the Terminal A Duty Free Retail Concession and would provide a variety of duty free merchandise to be sold to passengers travelling outside the United States and limited merchandise for non-international travelers. He noted that this would provide the Aviation Department with \$5 million in non-aviation revenue. He stated that the contract included a 10-year term which would expire on May 31, 2017. He reviewed the criteria for the RFP. He noted that there were 16 applicable vendors in the Central Vendor Registry and three of them had been targeted. He reviewed the advertising mediums which would be utilized and stated that the RFP deadline was April 3, 2017.

Mr. Nichta asked why only three of the 16 vendors registered were targeted. Mr. Handy replied that said targeting was based on demonstrated capacity.

Chairman Saldaña asked if the contract would be discretionary. Mr. Gorzell replied that it would. Chairman Saldaña asked if the vendors would report employee pay as part of the scoring matrix. Carlos Contreras stated that this would be researched and an answer would be provided at a later time.

No action was required for Item 7.

8. Telecommunications, Network Connectivity and Other Telecom Services [ITSD]

Kevin Goodwin stated that a Request for Competitive Sealed Proposal (RFCSP) would be released on March 10, 2017 for Telecommunication Services for the City of San Antonio Sites. He noted that the deadline for the RFCSP would be May 10, 2017. He stated that the Committee would be briefed on the outcome on October 17, 2017. He noted that the RFCSP was for a six-year contract with two, 2-year renewal options. He stated that the selected solution would be phased in over several months. He noted that 46 vendors were identified for this solicitation and reviewed the selection criteria. He stated that the total estimated value of the contract was \$37.5 million and noted that the current contract would be extended through 2018.

Mr. Nichta asked if Presidio would be utilized in the contract. Mr. Goodwin replied that they would.

Councilmember Warrick asked if there was the opportunity to set aside a smaller contract with SBEDA Requirements. Mr. Goodwin replied that the services required did not present the opportunity for small businesses.

Chairman Saldaña asked if the Prime Contractor could be required to utilize small businesses. Mr. Goodwin replied that such a requirement had not been investigated.

No action was required for Item 8.

Select High Profile Post-Solicitation

9. SA Tomorrow Area Planning Services [Planning and Community Development]

Bridgett White stated that the solicitation process had been completed for the SA Tomorrow Area Planning Program which would result in the development of the first six Master Plans throughout the City of San Antonio. She noted that the Planning Program would implement the land use framework of the SA Tomorrow Comprehensive Plan. She stated that the value of the contract was \$1,045,000 for a two-year term with two, 1-year renewal options. She reviewed the Scope of Services and the Evaluation Criteria. She noted that on November 14, 2016, a Request for Qualifications (RFQ) was released to select a qualified and experienced contractor to collaborate with the Department of Planning and Community Development on the development of the first six Master Plans. She stated that the responses were due on December 12, 2016 and four firms responded. She noted that one firm was deemed non-responsive for failing to meet the Minority/Women-Owned Business Enterprise Subcontracting Program. She reviewed the Selection Committee Members which evaluated and ranked the submissions based on the published criteria. She stated that respondent interviews were conducted on February 1, 2017. She noted that the City's SA Tomorrow Comprehensive Plan emphasizes the need to strategically focus employment and housing growth in the City's 13 Regional Centers and align Land Use Planning and Infrastructure Investment with Economic Development.

Troy Elliott stated that due diligence was conducted and 522 organizations were notified. Tina Flores noted that there were no findings based on the audit.

Councilmember Warrick asked if the effect of the plan related to the policy direction of the City Council. Ms. White replied yes, that the plan was a policy document.

No action was required for Item 9.

Consideration of Solicitations for Release

- 10. Common Use Passenger Procession System Phase I [Aviation]**
- Elevator and Escalator Preventive Maintenance and Repairs [Aviation]**
- Distributed Antenna System for the Henry B. Gonzalez Convention Center [CSF]**
- Tree and Palm Maintenance [Parks]**
- On-Call Geotechnical and Material Testing Services [TCI]**
- On-Call Environmental Consulting Services [TCI]**

On-Call Environmental Abatement Services [TCI]

Troy Elliott reviewed the High Profile Solicitations scheduled to be released within the next month.

Mr. Nichta moved to recommend and forward the scheduled High Profile Solicitations to the full City Council for consideration. Councilmember Warrick seconded the motion. The motion carried unanimously by those present.

Consideration of Completed High Profile Solicitations

11. Annual Contract for Generator Maintenance Citywide [Citywide] On-Call Construction Inspection Services [TCI]

Troy Elliott reviewed the completed High Profile Solicitations.

Mr. Nichta moved to recommend and forward the completed high profile solicitations to the full City Council for consideration. Councilmember Warrick seconded the motion. The motion carried unanimously by those present.

Executive Session

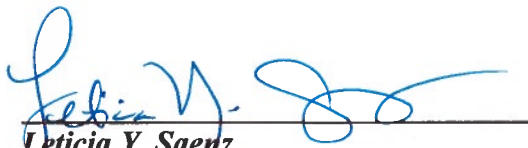
Chairman Saldaña recessed the Audit Council Committee into Executive Session at 1:00 pm to deliberate the duties and evaluation of the City Internal Auditor, pursuant to Texas Government Code Section 551.074, Personnel Matters.

Chairman Saldaña reconvened the meeting at 1:12 pm and stated that no action was taken during the Executive Session.

ADJOURN

There being no further discussion, Chairman Saldaña adjourned the meeting at 1:12 pm.

ATTEST:



Leticia Y. Saenz
Deputy City Clerk



Rey Saldaña, Chairman