

AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE MEETING MINUTES

AUGUST 24, 2017 at 9:00 AM
CITY HALL, MEDIA BRIEFING ROOM

Committee Present:	Councilmember John Courage, <i>District 9, Chair</i> Councilmember Roberto C. Treviño, <i>District 1</i> Councilmember Clayton Perry, <i>District 10</i> Citizen Member Tom Nichta
Staff Present:	Kevin Barthold, <i>City Auditor</i> ; Ben Gorzell, Jr., <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer & Director of Finance</i> ; Erik Walsh, <i>Deputy City Manager</i> ; Lori Houston, <i>Assistant City Manager</i> ; William McManus, <i>Chief of Police</i> ; Michael Sindon, <i>Assistant Director of EDD</i> ; Mike Sawaya, <i>Director of Convention & Sports Facilities</i> ; John Jacks, <i>Director of CCDO</i> ; Jim Mery, <i>Deputy Director of CCDO</i> ; Anthony Chukwudolue, <i>Assistant Director of TCI</i> ; Christie Chapman, <i>Assistant Director of TCI</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Mark Bigler, <i>Audit Manager</i> ; Tina Flores, <i>Compliance Auditor</i> ; Sandra Paiz, <i>Auditor</i> ; Sheryl Wardashki, <i>Auditor</i> ; Amy Barnes, <i>Auditor</i> ; Reina Sandoval, <i>Auditor</i> ; Christopher Moreno, <i>Auditor</i> ; John Peterek, <i>Assistant to the City Manager</i> ; Mary Perez, <i>Senior Executive Secretary</i> ; Cecily Hope Pretty, <i>Office of the City Clerk</i>
Others Present:	Pat DiGiovanni, <i>Centro San Antonio</i> ; Tony Piazzi, <i>Centro San Antonio</i> ; Noah Almanza, <i>Centro San Antonio</i> ; Eddie Romero, <i>Centro San Antonio</i> ; Andres Andujar, <i>Hemisfair</i> ; Terry Garcia, <i>Hemisfair</i> ; Rey Chavez, <i>San Antonio Manufacturers Association</i> ; Casey Whittington, <i>Citizen</i> ; Cosima Colvin, <i>Citizen</i>

CALL TO ORDER

Chairman Courage called the meeting to order.

1. Approval of the Minutes from the June 20, 2017 Meeting of the Audit Committee

Councilmember Treviño moved to approve the Minutes of the June 20, 2017 Audit Council Committee Meeting. Citizen Member Nichta seconded the motion. The motion carried unanimously.

Final Reports to be discussed

2. AU16-027 Audit of TCI- Sidewalk Infrastructure

Ms. Sandra Paiz stated that the objective of the audit was to determine if the Transportation & Capital Improvement Department Sidewalk Program was effectively managed in terms of oversight of contractors, inspections, and quality assurance processes. She noted that the audit scope focused on project management processes for sidewalk projects in process or completed between October 2014 and June 2016. She stated that the audit concluded the projects were effectively managed with appropriate internal controls and therefore; no recommendations were made.

Councilmember Treviño asked of addressing inequalities in sidewalk presence and maintenance in various parts of the city. Mr. Kevin Barthold stated that said issue was outside the scope of the audit but could be addressed in a future investigation.

Chairman Courage noted concerns with the city's sidewalk projects in terms of quality and citizen satisfaction and asked that those be examined.

Mr. Nichta congratulated the department on the clean audit and asked of subcontracting for sidewalk projects. Ms. Christie Chapman replied that there were some internal crews for sidewalk repair but the majority of projects were contracted out.

Councilmember Perry moved to accept the audit. Councilmember Treviño seconded the motion. The motion carried unanimously.

3. AU16-004 Audit of CCDO- Hemisfair Park Area Redevelopment Corporation Contract Monitoring

Mr. Mark Bigler stated that the objective of the audit was to determine if monitoring controls over the Hemisfair Park Area Redevelopment Corporation (HPARC) contract were adequate. He provided an overview of HPARC as a non-profit organization to oversee obtaining lands, planning and development, construction, and financing. He noted that the audit scope was from October 2014 to February 2016. He stated that they found monitoring controls were adequate but could be strengthened by more involvement from CCDO. He noted that the contracts did not have the same insurance or internal control requirements as city contracts. He added that the contract monitor had not performed on-site visits to ensure compliance.

Ms. Lori Houston stated that HPARC aimed to be self-funded by 2021 and therefore; she had asked for the audit to identify potential issues early in the process. She noted that the recommendations had been addressed and implemented.

Mr. Nichta asked of the advantages to HPARC acting as a non-profit separate from the city. Ms. Houston replied that it allowed HPARC to act more swiftly with real estate powers and focus solely on Hemisfair Park. She noted that nonprofit status also benefitted the fundraising

component of the project as the city would maintain the park but HPARC would be responsible for extras and amenities.

Councilmember Treviño asked of the oversight relationship between the city and HPARC. Ms. Houston replied that HPARC was bound to the powers outlined in the Hemisfair Master Plan adopted by City Council and any variances must be Council-approved.

Councilmember Treviño moved to accept the audit. Mr. Nichta seconded the motion. The motion carried unanimously.

4. AU16-002 Audit of CCDO- Contract for Improvements and Services in the Downtown Public Improvement District

Mr. Barthold stated that the audit concluded that there were not adequate controls in place to monitor and comply with the terms of the contract. He noted the following findings:

- Lack of oversight of services and improvements
- Lack of monitoring process between Centro San Antonio & CCDO
- Late submission of quarterly reports and invoices
- Lack of detail in financial reporting to determine compliance
- Inadequate review of payments to Centro
- Misreporting in financial category expenses
- Lack of monitoring for maintenance and repairs
- Lack of inventory processes for leased and disposed equipment

Mr. Barthold stated that corrective action had been taken on all findings and a follow up audit would be performed within a year.

Chairman Courage asked of the large number of findings. Ms. Houston replied that policies had been in place but required improvement. She noted that she had requested the audit and all findings had been addressed. Chairman Courage asked why a contract monitor had not been overseeing the contract previously. Mr. John Jacks replied that contract monitors are responsible for overseeing multiple contracts but because of the deficiencies, a monitor had been specifically assigned to the contract in question.

Councilmember Treviño asked if downtown growth had contributed to the audit findings. Ms. Houston replied that it may have had an impact but monitoring improvements should prevent future findings.

Mr. Nichta asked why the city was responsible for invoicing taxes rather than Bexar County. Mr. Troy Elliott replied that it had been determined that the group of property owners was so small that it was not worth investigating but it could be reassessed. Mr. Nichta asked of performance reviews for those involved in the findings. Ms. Houston replied that the city conducted a performance review of its contract monitor and Centro conducted performance reviews of the employees performing internal functions.

Councilmember Treviño moved to accept the audit. Councilmember Perry seconded the motion. The motion carried unanimously.

5. AU17-023 Audit of SAPD- Child Safety Fund

Mr. Barthold stated that the scope of the audit was to determine if funds for school crossing guards were being spent appropriately. He noted that the funds were being managed appropriately with sufficient monitoring processes in place and therefore; there were no findings.

Mr. Nichta asked why the city funded school crossing guards rather than the schools. Chief William McManus replied that it was because the crosswalks were on public streets.

Chairman Courage asked of the number of crossing guards and the schools involved. Chief McManus replied that there were 256 crossing guards. Mr. Erik Walsh stated that they worked at 148 schools and he could provide the school names at a later date.

Councilmember Treviño moved to accept the audit. Mr. Nichta seconded the motion. The motion carried unanimously.

6. AU17-006 Audit of the Office of the City Manager- Office Expenses

Mr. Kevin Barthold stated that the scope of the audit was from October 2015 to September 2016 and determined if office expenses were compliant with city policies. He noted that expenditures were compliant with purchasing policies, accounts payable policies, travel policies, and acceptable use of city funds policies. He stated that expenditures were appropriate and therefore; there were no findings or recommendations.

Mr. Nichta asked of capital outlay expenditures. Mr. John Peterek stated that they covered pieces of technology. Mr. Ben Gorzell added that it covered capitalized expenses.

Chairman Courage asked of the line item regarding contract services. Mr. Peterek replied that it covered equipment rentals. Mr. Barthold added that it also covered office space rent and chargebacks.

Councilmember Perry moved to accept the audit. Councilmember Treviño seconded the motion. The motion carried unanimously.

FY 2017 Audit Plan Status

7. FY 2017 Annual Audit Plan Status as of July 31, 2017

Mr. Barthold stated that 30 audit reports had been issued for the fiscal year to date. Chairman Courage asked how many total had been scheduled. Mr. Barthold stated that it was a rolling process with no set final number. He noted that some audits may roll into the next fiscal year but all planned audits would begin before the start of the next fiscal year.

Other

8. FY 2018 Proposed Annual Audit Plan

Mr. Barthold stated that the Audit Plan was developed with input from Councilmembers, Management, and Executive Leadership Teams. He noted that they performed a high level risk assessment using the following factors:

- Financial impact
- Customer contact impact
- Public relations impact
- Risk management
- Program age
- Program changes
- Management changes

He stated that these factors contributed to the audit rankings in the proposed plan and that most areas of the city would be covered with 10 follow up audits proposed. He noted there was a required attestation audit with SAPD regarding seized and forfeited assets to be submitted to the State. He stated that the final plan would be presented to the full City Council for approval.

Chairman Courage asked if the plan could be amended once approved. Mr. Barthold stated that the Audit Committee could modify the plan at any time without City Council approval. He noted there were 1,000 hours allotted for special requests throughout the year.

Councilmember Perry asked of the DHS audit regarding delegate agency monitoring and if the agencies were selected on a rotating basis. Mr. Barthold replied that the selection depended on the size of the agencies. Councilmember Perry asked that future audits examine outcomes to determine if funds were being spent appropriately.

Mr. Nichta moved to approve the Audit Plan. Councilmember Treviño seconded the motion. The motion carried unanimously.

9. FY 2018 Office of the City Auditor Proposed Budget

Mr. Barthold provided an overview of the proposed budget for FY 2018 totaling \$3 million with 84% comprised of personnel services. He stated that there were no significant changes from the FY 2017 Budget and a full presentation would be made to City Council on September 5, 2017.

No action was required for Item 9.

High Profile Contract Subcommittee Item(s)

10. On-Call Demolition Services [Transportation and Capital Improvements]

Mr. Gorzell stated that contracts were classified as high profile if they totaled over \$1 million, were complex, or of high community interest. He noted that this excluded contracts with small-bid components. He stated that they were currently considering modifications to the definition of "High Profile" and would work with the Committee in order to streamline future meetings.

Mr. Elliott stated that the RFP was scheduled to be released on August 28, 2017. He noted that the contract was \$750,000 annually totaling \$2.25 million over the life of the contract with an initial two-year term and a one-year option for renewal. He provided an overview of the solicitation requirements and noted subcontracting requirements of 32% for SBEDA and 2% for AABE.

Councilmember Perry asked that veteran-owned and disabled veteran-owned businesses have more consideration in the award process.

Councilmember Treviño asked if this contractor would also provide assistance to the San Antonio Fire Department in cases of emergency demolition. Mr. Elliott replied that those services were covered under a separate contract.

No action was required for Item 10.

11. Elevator and Escalator Preventive Maintenance [Convention and Sports Facilities] Media, Cataloging and Digital Processing Services [Library]

Mr. Elliott provided an overview of the preventive maintenance contract and noted that the contract would cover 36 elevators and 33 escalators. He outlined the solicitation requirements and stated that the contract totaled \$720,000 million annually for a total of \$7.2 million with a five-year term and a five-year extension. He noted that SBEDA requirements were waived due to vendor availability. He stated that they had received three responses and found no financial or audit issues with the selected vendor.

Mr. Elliott outlined the overview of functions for the library services contract. He stated that the contract totaled \$12.5 million; \$2.5 million annually over three years with 2, one-year renewal options. He provided an overview of the evaluation criteria and noted that local and veteran preferences were not applicable due to the procurement process used.

Councilmember Treviño asked of potential respondents that would qualify under SBEDA requirements but did not submit bids. Mr. Michael Sindon stated that there was a process in place to identify vendor availability but they do not always apply. Mr. Elliott noted that they only include SBEDA points in the solicitation when adequate vendor availability has been identified through the vendor registry.

Chairman Courage asked if there was a way to identify qualified applicants who chose not to bid and investigate their reasons for non-submission. Mr. Sindon replied that they could do spot checks with non-bidding vendors. Mr. Elliott noted that vendors may indicate they are interested in a certain type of work in the registry but do not have the full capacity to complete a contract. He added that they work with other city departments and conduct outreach events to grow the registry.

Councilmember Treviño suggested a post-solicitation process to identify barriers to participation. Mr. Elliott stated that the department sometimes reached out after high profile solicitations but could re-examine a more comprehensive process for non-bidding, qualified vendors.

Councilmember Perry asked of vendor participation in forming solicitations. Mr. Elliott replied that pre-submittal conferences were held to identify issues requiring addenda and vendors could contact the department with individual questions for clarification at any time during pre-submittal.

Councilmember Treviño motioned to forward Item 11 to the full City Council. Councilmember Perry seconded the motion. The motion carried unanimously.

Consideration of items for future meetings

Chairman Courage asked that the committee meet biweekly for audits and high profile contracts on an alternating basis until the presentation queue was clear. He asked that committee members contact staff in advance regarding low-level questions in order to streamline future meetings.

Adjourn

There being no further discussion, Chairman Courage adjourned the meeting at 11:09 am.

ATTEST:



Leticia Y. Saenz
Deputy City Clerk



John Courage, Chairman