

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE
MEETING MINUTES
SEPTEMBER 19, 2017 at 9:30 AM
CITY HALL, MEDIA BRIEFING ROOM**

Committee Present:	Councilmember John Courage, <i>District 9, Chair</i> Councilmember Clayton Perry, <i>District 10</i> Citizen Member Tom Nichta
Committee Absent:	Councilmember Roberto C. Treviño, <i>District 1</i>
Staff Present:	Kevin Barthold, <i>City Auditor</i> ; Andy Segovia, <i>City Attorney</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> ; Peter Zanoni, <i>Deputy City Manager</i> ; Carlos Contreras, <i>Assistant City Manager</i> ; William McManus, <i>Police Chief</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Laura Cedillo, <i>Assistant City Attorney</i> ; Mike Frisbie, <i>Director of TCI</i> ; Christie Chapman, <i>Assistant Director of TCI</i> ; Nefi Garza, <i>Assistant Director of TCI</i> ; Art Reinhardt, <i>Assistant Director of TCI</i> ; Tom Bartlett, <i>Deputy Director of Aviation</i> ; John Jacks, <i>Director of CCDO</i> ; Mark Bigler, <i>Audit Manager</i> ; Sandra Paiz, <i>Audit Manager</i> ; Gabe Trevino, <i>Auditor</i> ; Lorenzo Garza, <i>Auditor</i> ; Rebecca Moulder, <i>Auditor</i> ; Susan VanHoozer, <i>Auditor</i> ; Holly Williams, <i>Auditor</i> ; Nastasha Leach, <i>Auditor</i> ; Danny Zuniga, <i>Auditor</i> ; Lauron Fischer, <i>Executive Management Assistant</i> ; Patrick Steck, <i>Special Projects Manager</i> ; Trey Jacobson, <i>Office of the Mayor</i> ; Jay Podjenski, <i>District 1</i> ; Derek Roberts, <i>District 9</i> ; Paul Jimenez, <i>District 10</i> ; Cecily Hope Pretty, <i>Office of the City Clerk</i>
Others Present:	Andres Peña, <i>Kaufman & Killen, Inc.</i> ; Bryan Eckert, <i>WOAI/KABB</i> ; Vanessa Martinez, <i>City of Fort Worth</i> ; Shirley McFadden, <i>City of Raleigh</i> ; Heidi Pinner, <i>Hillsborough County</i>

CALL TO ORDER

Chairman Courage called the meeting to order.

1. Approval of the Minutes from the August 24, 2017 Meeting of the Audit and Accountability Committee

Citizen Member Nichta moved to approve the Minutes of the August 24, 2017 Audit and Accountability Council Committee Meeting. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

Final Audit Reports to be Discussed

2. Aviation/TCI ConRac Construction

Mr. Buddy Vargas stated that the scope of the audit took place from Fiscal Year 2016 through February 2017 and was to determine if oversight of the Consolidated Rental Car Facility construction was adequate including contractor and fund monitoring. He noted that the TCI Aviation Expansion Team had adequate controls in place to ensure pay applications and change orders were adequately supported, approved, and accurate; verify the project was in compliance with Small Business Economic Development Advocacy requirements; inspectors were preparing adequate inspection reports from regular inspections; and project materials were being tested in accordance with contract terms. He stated there were no findings or recommendations.

Citizen Member Nichta asked of safety precautions for multi-level fueling systems. Mr. Mike Frisbie replied that the design was based on Miami's rental facility and included fiberglass-lined gas tanks to prevent leaking. Mr. Nichta asked of the purchasing agreements for gasoline. Mr. Frisbie replied that car rental companies had a partnership based on leased square footage to determine their payment contribution for gasoline.

Mr. Nichta moved to accept the audit. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

3. TCI Storm Water Utility Fees

Mr. Mark Bigler stated that the audit objective was to determine if Storm Water Fees were accurately calculated in accordance with City Ordinance and if revenues were properly reported. He noted that Storm Water Fees were assessed to residents to assist with Capital Projects and Upgrade Fees as part of their SAWS utility bill. He stated that a new fee structure had been implemented January 1, 2016 and was based on land use and impervious cover rather than land use and lot size. He noted that the audit scope lasted from January 1, 2016 to May 31, 2016 and that while the appeals process and fee reporting were adequate, issues were identified regarding billing categories and fee amounts. He stated that TCI had accepted and implemented all recommendations. Mr. Frisbie added that the department had asked for the audit and had been working with SAWS and the Bexar County Appraisal District (BCAD) to correct inaccurate data that led to incorrect fee assessments.

Councilmember Courage asked if customers were billed for the balance of under-assessed fees once discrepancies were identified. Mr. Nefi Garza stated that while TCI had the ability to back-charge customers, they had chosen not to do so because the errors were from the internal system and not by customer error.

Mr. Nichta asked if unit size factored into customer fee assessments for multi-unit dwellings. Mr. Jacob Powell replied that the entirety of the fee was billed to the property owner and was generally split evenly based on number of units unless otherwise requested by the owner. Mr. Nichta asked how fee assessments were being corrected and why they had been inaccurate to this point. Ms. Christie Chapman stated that staff used a combination of data from an impervious cover study, BCAD data, and SAWS data to implement the new fee structure rather than just

SAWS data and that staff was in the process of reviewing existing data for accuracy. She noted that data updates were made with BCAD and SAWS on a weekly basis. Mr. Nichta asked of fees for newly annexed areas. Ms. Chapman stated that they worked closely with Development Services regarding Certificates of Occupancy and Permits and assessed provisional fees immediately while those processes were in place. Mr. Powell added that the provisional fees allowed the department to offset revenue and fully accurate fees would be assessed within the first month.

Councilmember Perry moved to accept the audit. Mr. Nichta seconded the motion. The motion carried unanimously by those present.

4. CCDO and CCD Property Management (Leases)

Ms. Sandra Paiz stated that the audit objective was to determine if Market Square and La Villita Leases were properly managed. She noted that lease revenue due to the city was primarily for rent space, maintenance fees, and utility fees. She stated that \$2 million was collected for FY 2016 and FY 2017 to date. She noted that the audit period covered FY 2016 and included lease agreements, contract administration plans and related documents, and tenant invoices. She stated that the audit found that CCDO had adequate controls overall but improvement was needed in administrative processes regarding late fees, fee collection on site, collections being over the amount due to the city, and contract coordinators having control over accounting processes. She noted that CCDO agreed with the findings and was implementing corrective action plans.

Councilmember Perry asked how much revenue had been lost due to uncollected fees. City Auditor Kevin Barthold replied that \$1,200 total from FY 2016 and FY 2017 to date had been lost. Councilmember Perry asked of the timeline for corrective action. Mr. John Jacks replied that Contract Coordinators had already been isolated from accounting processes and the next step was to work with the Finance Department to create a Cash Handling Administrative Directive exception allowing CCDO to continue collecting rent fees on site by the end of the year. Councilmember Perry asked how lease rates were determined. Mr. Bruce Martin replied that the facilities were viewed as tourist attractions and offered rent below market rate to incentivize artists.

Mr. Nichta asked of the hand delivery of invoices to renters. Mr. Jacks replied that the majority of renters were small, sole proprietor businesses without electronic resources so hand delivery guaranteed receipt of invoices and provided an opportunity to verify compliance with display terms.

Mr. Nichta moved to accept the audit. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

5. SAPD Armory Inventory Management

Buddy Vargas stated that the objective of the audit was to determine if inventory controls for the SAPD Armory at the Training Academy were effective and efficient. He noted that the audit scope oversaw FY 2016 and at the time of the audit, 1,400 weapons were in storage at the Armory. He stated that the audit concluded that inventory controls were not effective or efficient in accordance with policies and procedures. He noted the following findings:

- Lack of policy and procedure for distribution and maintenance of weapons
- Lack of evidence of inventory procedures being performed
- Inventory in excess of storage capacity
- Inaccuracy in Quartermaster System regarding disposition of firearms and officer employment status
- Excessive user access among staff

He stated that management agreed with the findings and implemented all recommendations.

Chief William McManus stated that the Quartermaster System had been upgraded to improve accuracy and communication with the Evidence Room's FileOnQ System and that the software developers would provide regular updates and support. He noted the addition of a mobile storage unit to store excess weaponry. He stated that the Training Academy Commander would perform unannounced audits throughout the year in addition to monthly audits.

Chairman Courage asked of the disposition of non-functional weapons. Chief McManus replied that they were subject to regular destruction procedures.

Mr. Nichta asked whether personnel utilizing the Quartermaster System were civilian or uniform. Chief McManus replied that they were uniform personnel because at the facility, all personnel except the Armorer were sworn officers. Mr. Nichta asked of issued firearm inventory procedures. Chief McManus replied that they were matched to their serial numbers yearly during qualifications. Mr. Nichta asked why weapons were destroyed rather than sold to generate more revenue for the city. Chief McManus replied that other Police Departments who had done so experienced a great deal of public criticism and therefore, destruction was preferred.

Mr. Nichta moved to accept the audit. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

6. SAPD Off Duty Employment Follow-up

Buddy Vargas stated that the follow-up audit was to determine if prior audit recommendations had been successful in response to a 2015 audit regarding compliance with department policies for off duty employment at City-owned event facilities. He noted that all recommendations had been implemented except that uniform administration personnel had not been fully replaced with civilian personnel, resulting in \$1.1 million in losses for FY 2016. He stated that an action plan had been implemented.

Chairman Courage asked of the monetary losses. Mr. Erik Walsh replied that under the SAPD's Collective Bargaining Agreement, a sergeant and sworn support must run and manage the operation. He stated that they had moved from eight officers and one civilian to three officers and seven civilians and were evaluating whether they could continue that transition under the current contract.

Mr. Nichta asked of compensating for the losses. Mr. Walsh replied that while prices could be raised, personnel rates needed to remain competitive. Currently, all facilities required that they

be staffed by SAPD personnel for security. Mr. Nichta suggested that the Officers bid for off duty jobs to drive down compensation costs.

Chairman Courage asked of utilizing the Hotel Occupancy Tax or funds from the Convention and Sports Facilities Department to pay for staffing. Mr. Walsh stated that they could investigate that as an option in the future.

Mr. Nichta moved to accept the audit. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

7. SAPD Growdon Vehicle Storage Facility

Mr. Barthold stated that from a contract monitoring perspective, the department had implemented recommendations to address issues as they were found at the facility such as space considerations and customer service. He noted that potable water was an ongoing issue as the facility was not on the SAWS grid so a plan for additional facilities would be addressed in the next contract.

Mr. Nichta moved to accept the audit. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

8. SAPD Crisis Response Team

Mr. Barthold noted that the original audit had been performed less than a year ago but the Audit Committee had asked for a follow up to be performed quickly.

Ms. Paiz stated that the objective was to reexamine action plans and the scope was limited to those recommendations during January to March 2017. She noted that the Crisis Response Team had remediated all findings from the original audit and that processes had been implemented to address the following:

- Ensure adequate documentation of domestic violence cases and send timely reports
- Track core training hours
- Determine activity types for performance measures
- Implement process to review user access on a regular basis

She stated that there were no further findings.

Councilmember Perry moved to accept the audit. Mr. Nichta seconded the motion. The motion carried unanimously by those present.

FY 2017 Audit Plan Status

9. FY17 Annual Audit Plan Status as of August 31, 2017

Mr. Barthold stated that the City Auditor's Office was currently being audited by external auditors and acknowledged their attendance. He noted that results would likely be presented at the next Committee Meeting. He stated that 35 audit reports had been issued for FY 2017 thus

far and all planned audits would begin before the end of the year. He noted that the FY 2018 Audit Plan would go before the full City Council for approval on September 21, 2017.

Consideration of items for future meetings

Mr. Gorzell stated that a date for the next meeting regarding High Profile Contracts had yet to be established.

ADJOURN

There being no further discussion, Chairman Courage adjourned the meeting at 11:18 am.

ATTEST:



Leticia Y. Saenz
Deputy City Clerk



John Courage, Chairman