

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE**  
**MEETING MINUTES**  
**SEPTEMBER 18, 2018 at 9:30 AM**  
**MUNICIPAL PLAZA, B 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 Judy Treviño Citizen Member Priscilla Soto
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Kevin Barthold, <i>City Auditor</i> ; Andy Segovia, <i>City Attorney</i> ; Ben Gorzell, Jr., <i>Chief Financial Officer</i> ; Peter Zaroni, <i>Deputy City Manager</i> ; María Villagómez, <i>Assistant City Manager</i> ; Lori Houston, <i>Assistant City Manager</i> ; Troy Elliott, <i>Deputy Chief Financial Officer &amp; Director of Finance</i> ; Verónica Soto, <i>Director of Neighborhood &amp; Housing Services</i> ; Melody Woosley, <i>Director of Human Services</i> ; Craig Hopkins, <i>Director of Information &amp; Technology Services</i> ; John Jacks, <i>Director of Center City Development &amp; Operations</i> ; Ray Rodriguez, <i>Deputy City Attorney</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Vance Meade, <i>Deputy Fire Chief</i> ; Kevin Goodwin, <i>Deputy Director of Information &amp; Technology Services</i> ; Melanie S. Keeton, <i>Assistant Director of Finance</i> ; Michael Sindon, <i>Assistant Director of Economic Development</i> ; Jessica Dovalina, <i>Assistant Director of Human Services</i> ; Anita K. Kurian, <i>Assistant Director of Metro Health</i> ; Lisa Biediger, <i>Assistant City Attorney</i> ; Scott Zimmerer, <i>Assistant City Attorney</i> ; Jim Kopp, <i>Assistant City Attorney</i> ; Mark Bigler, <i>Audit Manager</i> ; Gabe Treviño, <i>Audit Manager</i> ; Abigail Medina, <i>Auditor</i> ; Sheryl Wardashki, <i>Auditor</i> ; Terri Hernandez, <i>Auditor</i> ; Lauron Fischer, <i>Executive Management Assistant</i> ; Tyler Bahr, <i>Interim Executive Management Assistant</i>
Others Present:	Warren Wilkinson, <i>Centro</i> ; Trish DeBerry, <i>Centro</i> ; Margaret Moore, <i>Centro</i> ; Angela Dunlap, <i>Grant Thornton</i> ; Bhakti Patel, <i>Grant Thornton</i> ; Chris Carmona, <i>Schrivers Carmona Carrera</i> ; Robert J. Williams, <i>RJW CPA</i>

**CALL TO ORDER**

Chairman Courage called the meeting to order.

**1. Approval of the Minutes from the Audit & Accountability Committee Meeting on August 23, 2018**

Councilmember Perry moved to approve the minutes of the August 23, 2018 Audit and Accountability Council Committee meeting. Citizen Member Treviño seconded the motion. The motion carried unanimously.

**CONSENT AGENDA**

**Final Internal Audit Reports**

- 2. AU18-003 Audit of DSD Permitting Process**
- 3. AU18-0007 Audit of SAMHD Lab Operations**

**Pre-Solicitation High Profile Items**

- 4. Water Treatment Services for Municipal Pools [Parks & Recreation]**
- 5. Concealable Body Armor for SAPD [Police]**

Citizen Member Soto moved to accept Items 2 through 5. Citizen Member Treviño seconded the motion. The motion carried unanimously.

**ITEMS FOR INDIVIDUAL CONSIDERATION**

**6. Centro Update**

Ben Gorzell stated that the annual Service and Assessment Plan for the Downtown Public Improvement District (PID) and an amended contract with Centro would come before the City Council on September 20, 2018. He noted that process changes were implemented including a new Department Fiscal Administrator for Center City Development and Operations (CCDO), a new Controller for Centro, paperless reimbursement requests, and separation of invoices for payroll and other services. He stated that the Service and Assessment Plan was reorganized by category to facilitate the review process. He noted that contractual changes would include background check requirements, increased supporting documentation for reimbursements, the addition of an annual end-of-year reconciliation, establishment of service levels, and differentiation of reimbursement requests. He stated that Centro consolidated Service and Assessment Plan categories into the following: Maintenance; Beautification and Landscaping; Hospitality Ambassador Services; and Outreach and Security. He noted that insurance requirements were revised and staff would continue to monitor and revise reimbursement processes as needed.

Warren Wilkinson stated that Centro worked closely with the Finance Department to streamline processes and ensure compliance.

Councilmember Treviño commended Centro's new leadership for their collaboration with City Staff and noted the importance of thorough communication with Downtown stakeholders.

No action was required for Item 6.

## **External Audit**

### **7. Required Communications for the Fiscal Year 2018 External Audit**

Troy Elliott stated that the City of San Antonio engaged Grant Thornton to conduct the FY 2018 External Audit. He noted that they were required to complete certain communications with the Audit and Accountability Council Committee and would return for a second meeting in Spring 2019. He stated that Grant Thornton would test the City's financial statements to determine that they are free of material misstatement.

Angela Dunlap stated that Grant Thornton would examine the Comprehensive Annual Financial Report, Federal and State Award Programs, and Passenger Facility Charge Program. She noted that they would also perform agreed-upon procedures regarding landfill obligations. She reviewed responsibilities, timeline, and determination of materiality. She stated that the audit scope would include qualitative measures to examine significant or unusual transactions and fraud risks. She noted that communication requirements included the opportunity for the Committee and City Staff to identify risk factors as part of the audit planning process. She stated that Grant Thornton would utilize the work of other auditors to contribute to the audit findings.

Bhakti Patel stated the audit would include fraud risk assessments, testing of journal entries, and data analytics to determine areas of focus. She noted that they would test the City's primary revenue streams to ensure balances were materially stated and sufficient controls were in place. She stated that they would review capitalization, employee compensation, risk financing, and computer data acquisition. She noted that investments, accounts payable, debt, liabilities, and disclosures would be verified. She reviewed planned Compliance Audits and highlighted IT security testing.

Angela Dunlap reviewed technical updates related to the American Institute of Certified Public Accountants (AICPA) and Governmental Accounting Standards Board (GASB).

Councilmember Perry asked of collaboration with the firm who audited the Fire and Police Pension Fund. Ms. Dunlap replied that Grant Thornton would utilize that firm's report and perform additional procedures related to census data to ensure accurate actuarial determination. Councilmember Perry asked if the external auditors were required to audit internal auditors. Ben Gorzell replied that they were to ensure that the components of the City's overall financial statement were accurately reported.

No action was required for Item 7. Items 8 and 9 were addressed jointly.



## **Final Internal Audit Reports to Be Discussed**

### **8. AU17-C03 Audit of DHS Haven for Hope Contract Administration**

### **9. AU17-C04 Audit of DHS After School Challenge Program**

City Auditor Kevin Barthold stated that the audits addressed Delegate Agency Contracts and the audit of Haven for Hope included examination of the Center for Health Care Services and Family Violence Prevention Services on the campus. He noted that the After School Challenge Program covered 144 schools across eight districts. He stated that DHS had sufficient controls in place to monitor contract compliance for both programs. He recommended improved verification of self-reported data and improved recordkeeping of supporting documentation for the Haven for Hope contract. He recommended more timely review of the After School Challenge Program to account for the school calendar and improved recordkeeping of supporting documentation.

Melody Woosley stated that there were contract controls in place but staff would make improvements in documentation, timeliness, and supervisory review. She noted that the areas for improvement did not impact contractor performance in terms of service delivery. She stated that the department would implement a Grant Monitoring System to address concerns regarding documentation.

Councilmember Perry asked if the controls added to strengthen the contract with Centro would be extended to other contracts. Mr. Gorzell replied that the processes involved in service delivery differed and blanket control measures were not applicable.

Citizen Member Treviño moved to accept Items 8 and 9. Councilmember Perry seconded the motion. The motion carried unanimously.

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

### **10. Neighborhood Improvements Bond Program – 3830 Parkdale Road [Neighborhood & Housing Services]**

Verónica Soto stated that 3830 Parkdale Road was the second project presented under the Neighborhood Improvements Bond Program. She noted that staff planned to issue a Request for Proposals (RFP) valued at \$2.9 million for a developer to construct new rental housing over a contract term of three years. She stated that at least half of the units must serve families at 80% of the Area Median Income (AMI) or less. She reviewed outreach efforts and the Evaluation Committee. She outlined the solicitation requirements including 10 possible points for the Small Business Economic Development Advocacy (SBEDA) Program and SBEDA subcontracting requirements. She stated that the RFP would be released September 20<sup>th</sup>, be due November 2<sup>nd</sup>, and come before the City Council for consideration and contract commencement in January 2019.

Chairman Courage asked of the projected number of units. Ms. Soto replied that a minimum of 150 units were expected. Chairman Courage expressed concern that the AMI was determined by Bexar County incomes and was not reflective of economic conditions within San Antonio limits.

Councilmember Perry asked why the RFP was not scaled to encourage more development at lower AMI percentages. Ms. Soto replied that the scoring system would incentivize development at lower AMI percentages. Councilmember Perry expressed concern that the income level was not set low enough to address affordable housing needs.

Councilmember Treviño asked of additional infrastructure investments. Peter Zaroni replied that they would be made in collaboration with the developer.

Chairman Courage expressed agreement with Councilmember Perry's concerns regarding the targeted AMI percentage and asked for stronger incentives to encourage development for lower income households.

Citizen Member Soto asked if the cost of improvements was included in the \$2.9 million. Mr. Zaroni replied that it was not.

Chairman Courage asked if property tax revenues could be allocated back to other affordable housing projects rather than deposited in the General Fund. Mr. Zaroni replied that it would be investigated as a policy option. Chairman Courage expressed support for same.

No action was required for Item 10.

### **EXECUTIVE SESSION**

Chairman Courage recessed the meeting into Executive Session at 10:50 am to discuss the following pursuant to Texas Government Code Section 551.071, attorney-client consultation; and Section 551.076, deliberation regarding security devices or security audits:

#### **11. High Profile Post-Solicitation: SAFD Medical Supplies [Fire]**

Item 11 was not addressed.

#### **12. AU17-F04 ITSD Network Security Access Controls Follow-up Audit**

### **RECONVENED**

Chairman Courage reconvened the meeting at 11:06 am and announced that no action was taken in Executive Session.

Citizen Member Soto moved to accept the audit for Item 12. Councilmember Treviño seconded the motion. The motion carried unanimously.

### **Consideration of Items for Future Meetings**

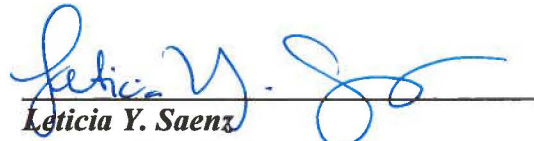
Mr. Barthold stated that the FY 2019 Audit Plan was approved at the last Council Meeting.

Councilmember Perry asked of Alarm Permit Fees. Mr. Barthold replied that staff would perform a cost analysis of same for Police and Fire.

**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**