

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE
MEETING MINUTES
MARCH 19, 2019 at 9:30 AM
MUNICIPAL PLAZA, B ROOM**

Committee Present:	Councilmember John Courage, <i>District 9, Chair</i> Councilmember Clayton Perry, <i>District 10</i> Citizen Member Priscilla Soto
Committee Absent:	Councilmember Roberto C. Treviño, <i>District 1</i> Citizen Member Judy Treviño
Staff Present:	Erik Walsh, <i>City Manager</i> ; Peter Zanon, <i>Deputy City Manager</i> ; Carlos Contreras, <i>Assistant City Manager</i> ; Ben Gorzell, Jr., <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer & Director of Finance</i> ; Melanie Keeton, <i>Assistant Finance Director</i> ; Kevin Barthold, <i>City Auditor</i> ; Andy Segovia, <i>City Attorney</i> ; Ed Guzman, <i>Deputy City Attorney</i> ; Laura Cedillo, <i>Assistant City Attorney</i> ; Ray Rodriguez, <i>Assistant City Attorney</i> ; Mark Triesch, <i>Assistant City Attorney</i> ; Jameene Williams, <i>Assistant City Attorney</i> ; Carl Wedige, <i>Deputy Chief, SAFD</i> ; Russ Handy, <i>Director of Aviation</i> ; Lori Steward, <i>Director, Human Resources</i> ; Veronica Soto, <i>Director, Neighborhood and Housing Services Department</i> ; Leticia Saenz, <i>Deputy City Clerk</i> ; Christie Chapman, <i>Assistant Director, Transportation and Capital Improvements</i> ; Nefi Garza, <i>Assistant Director, Transportation and Capital Improvements</i> ; Krystal Strong, <i>Assistant Director, Human Resources</i> ; Buddy Vargas, <i>Audit Manager</i> ; Gabriel Treviño, <i>Audit Manager</i> ; Abigail Medina, <i>Auditor II</i> ; Sheryl Wardashki, <i>Auditor IV</i> ; Sandra Rodriguez, <i>Auditor</i> ; Denise Trejo, <i>Auditor</i> ; Victoria Roeder, <i>Finance</i> ; Jay Blackwell, <i>Finance</i> ; Kimberly Nuñez, <i>Finance</i> ; Denice F. Trevino, <i>Office of the City Clerk</i>
Others Present:	Angela Dunlap, <i>Partner, Grant Thornton</i> ; Bhakti Patel, <i>Manager, Grant Thornton</i> ; Robert Williams, <i>Subcontractor</i> ; Chris Carmona, <i>Subcontractor</i>

CALL TO ORDER

Chairman Courage called the meeting to order.

1. Approval of the Minutes from the Audit & Accountability Committee Meeting on February 19, 2019

Councilmember Perry moved to approve the minutes of the February 19, 2019 Audit and Accountability Council Committee Meeting. Citizen Member Soto seconded the motion. The motion carried unanimously by those present.

CONSENT AGENDA

Pre-Solicitation High Profile Items

2. **Annual Job Order Contract for On-Call Plumbing Services.** [Carlos Contreras, Assistant City Manager; Russell Handy, Director, Aviation]

Post-Solicitation High Profile Items

3. **On-Call Aviation DBE General Engineering Consultant Services.** [Carlos Contreras, Assistant City Manager; Russ Handy, Director, Aviation]
4. **Annual Contract for Print Materials, Cataloging & Processing Services for the Library Department.** [Lori Houston, Assistant City Manager; Ramiro S. Salazar, Director, San Antonio Public Library]

Final Internal Audit Reports

5. **AU18-018 Audit of San Antonio Fire Department Equipment Inventory Management.**
6. **AU18-C05 Audit of San Antonio Fire Department EMS Medical Direction and Training Contracts.**
7. **AU18-C06 Audit of Transportation and Capital Improvements Department Storm Water Program Contract.**

Councilmember Perry moved to accept Items 2 through 7. Citizen Member Soto seconded the motion. The motion carried unanimously by those present.

ITEMS FOR INDIVIDUAL CONSIDERATION

Select Pre-Solicitation High Profile Briefings

8. **Airfield Improvements, Package 6.** [Carlos Contreras, Assistant City Manager; Russell Handy, Director, Aviation]

Russell Handy stated that the San Antonio International Airport partners with the Federal Aviation Administration (FAA) on Airfield Projects. He noted that previously the FAA required non-discreet local bids but now allows for a Request for Competitive Sealed Proposals (RFCSP) to be utilized. He stated that this project would install duct bank and new fiber for the FAA Cable Loop System at both Taxiways E and J; remove and relocate Taxiway E to meet current FAA Standards; and, install a temporary Taxiway J from Runway 13R to Taxiway RC. He noted that this would be the first of this alternative project delivery type for a construction contract for an Airfield Project. He stated that the project had an estimated value of \$8.1 million and the FAA would fund 75% of approximately 90% of the project. He reviewed the evaluation, additional criteria, outreach provided, and evaluation voting members for the solicitation. He noted that a pre-submittal conference would be held in April 2019 and the solicitation would close on May 3, 2019. He stated that a post-solicitation briefing would be provided to the Committee on August 20, 2019 and the solicitation would be brought before the City

Council for consideration on October 3, 2019. He added that the contract would begin in January 2020.

Councilmember Perry asked of the difference between an RFCSP and a Request for Proposals (RFP). Troy Elliott replied that an RFP allows for consideration of best value whereas an RFCSP allows for consideration of the lowest bid. Councilmember Perry requested an update on an audit of contracting methods. He requested an extension of the time allowed for Contractors to submit bids.

Chairman Courage expressed support for an update on contracting methods.

Citizen Member Soto asked of the number of vendors which were provided outreach. Mr. Handy stated that the number and names of vendors would be provided when available.

No action was required for Item 8.

9. Financial Underwriter RFP. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Troy Elliott stated that the City was requesting qualifications from qualified local firms to expand the City's pool; comprised of firms utilized for the selection of underwriting syndicates for financial transactions effectuated by the City over the term of the pool. He noted that the Underwriters would be required to provide professional services and perform the duties of Senior Managing Underwriter and Co-Managing Underwriter as selected for certain transactions and other services as necessary. He stated that the solicitation type was a Request for Qualifications (RFQ) with a proposed contract term of one year with 2, one-year renewal options. He reviewed the project timeline noting that the proposal would be brought before the full City Council on May 30, 2019 for consideration.

Chairman Courage asked if there were different categories of Underwriters. Mr. Elliott replied that there were Small, Medium, and Large Underwriters. Chairman Courage asked which category of Underwriters submitted proposals for Local Underwriters. Mr. Elliott replied that Small and Large Categories were represented in proposals for Local Underwriters.

Councilmember Perry asked how many proposals were expected to be received. Mr. Elliott replied that two proposals were anticipated to be received; one small and one large.

No action was required for Item 9.

10. Neighborhood Improvements Bond Program – Southeast Service Center.
[Peter Zaroni, Deputy City Manager; Verónica R. Soto, Director, Neighborhood and Housing Services Department]

Verónica Soto stated that the solicitation was seeking a developer to develop and construct a rental housing development at the former Southeast Service Center in accordance with the Council-Adopted Urban Renewal Plan. She noted that the solicitation scoring would incentivize or request that the development provide at least half of the units to families at or below 60% Average Median Income (AMI). She stated that the City's bond contribution of land and site readiness would serve as a gap financing tool to provide Affordable/Workforce Housing. She noted that the site was located at the northeast corner of S. New Braunfels and S.E. Military Drive in City Council District 3. She stated that the estimated value of the land was \$1.94 million and \$4 million was available for eligible reimbursements. She noted that the site would be developed within three years and was a new contract. She stated that the solicitation type was an RFP. She reviewed the evaluation voting members and solicitation requirements. She noted that the RFP would be released on April 19, 2019 and the deadline for proposals was June 19, 2019. She stated that the solicitation would be brought before the full City Council on September 5, 2019 for consideration with a contract start date of October 5, 2019.

Chairman Courage asked of the number of units planned. Ms. Soto replied that at least 225 units were planned and up to 325 units could be made available. Chairman Courage asked of the acreage of the site. Ms. Soto replied that the site was 12.38 acres.

Councilmember Perry asked of the amount of funds relegated for environmental remediation of the site. Peter Zanoni replied that \$500,000 of the \$4 million was set aside for environmental remediation of the site. Councilmember Perry asked of the amount of funds remaining in the Housing Bond. Peter Zanoni replied that approximately \$9 million remained from the Housing Bond.

No action was required for Item 10.

Staff Briefing

11. Results of the FY 2018 External Financial Audit and Presentation of Related Reports. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Troy Elliott stated that the External Financial Audit was required under the provisions of the City Charter and State Statute and was conducted as close as practical to the close of each fiscal year. He noted that an independent audit shall be made of all accounts by a Certified Public Accountant (CPA). He stated that an external audit ensured that the City's records are:

- Properly maintained
- Free from material misstatement
- Comply with established concepts, principles, and accounting standards

Mr. Elliott noted that the external audit provided a true and fair view of the financial statements of the City. He stated that results of the external audit were communicated through several documents available on the City's transparency website such as:

- Comprehensive Annual Financial Report (CAFR)

- Financial and Compliance Report on Federal and State Grants, “Other Reports”
- Financial and Compliance Report on Passenger Facility Charge (PFC) Program
- Report on internal controls (Management Letter), when applicable

Mr. Elliott reviewed history of the days to issue the CAFR and noted the improvement from 2005 to present. He stated that there were no findings in the External Financial Audit for 2018. He noted that the CAFR adjustment in 2018 was not a City adjustment but rather related to the liability on the Fire and Police Pension Fund. He stated that there were two findings for the single audit. He noted that over the years, staff has put processes in place to improve the quality and timeliness of reporting.

Bhakti Patel reviewed the significant risks and other areas of focus for the External Financial Audit.

Angela Dunlap stated that the Financial Statement Audit revealed:

- Unmodified “clean” opinions
- No scope limitations
- No unresolved audit issues
- Open communication with management

Ms. Dunlap reviewed the summary of passed adjustments and noted that management believes the passed adjustments were immaterial to the financial statements. She stated that 10 Federal and State Programs were areas of focus for the Federal and State Single Audit.

Ms. Patel stated that there were two single audit findings, both for State Programs. She noted that the Texas Anti-Gang Grant Program (TAG) had a finding related to procurement and the Truancy Intervention & Prevention (TIP) Program had a finding related to reporting. She reviewed the status of prior year findings and noted that all were corrected except the one for the High Intensity Drug Trafficking Area, which was in progress.

Ms. Dunlap reviewed the results of the Federal and State Single Audit, other compliance audits, and required communications. She stated that Grant Thornton engaged the following internal specialists to assist with the audit:

- New York Pricing Group
- In-house actuarial team

Ms. Dunlap noted that Grant Thornton utilized the services of the following teaming partners:

- Britts & Associates, LLP
- Robert J. Williams, CPA
- Schriver, Carmona & Company, PLLC
- Armstrong, Vaughan & Associates, PC

Ms. Dunlap stated that accounting policies were consistent with prior year and deemed appropriate. She noted that tests were performed to confirm that the following amounts were free from material misstatements and reasonable:

- Accruals for pension/postretirement obligations based on actuarial assumptions
- Arbitrage liability
- IBNR and self insurance
- Fair value of investments

Ms. Dunlap stated that footnote disclosures to the financial statements appear overall to be neutral and free from undue management bias. She noted that financial statements and disclosures have been assessed for clarity and completeness.

Ben Gorzell noted the exceptional results of the audit for an organization of this size.

Councilmember Perry asked how often the External Financial Audit was performed. Mr. Elliott replied that it was performed annually per City Charter and State Statute. Councilmember Perry asked of the cost of said audit. Mr. Elliott replied that the cost for said audit was \$850,000 annually. Councilmember Perry asked of the sample size. Ms. Patel replied that the sample size varied.

No action was required for Item 11.

Item 13 was addressed in open session at this time.

13.A Briefing and Discussion Regarding the Proposed City Auditor Performance Measures for 2019. [Ben Gorzell, Chief Financial Officer; Lori Steward, Director, Human Resources]

Krystal Strong stated that in June of 2018, the City Council approved a professional services agreement with The Segal Company (Western States) Inc., dba Segal Waters Consulting, for the development of evaluations and compensation review of Executives appointed by the Mayor and City Council for 2019 and beyond. She noted that these services specifically included the following positions: City Manager, City Internal Auditor, City Clerk, and Presiding Judge of the Municipal Court. She stated that the Consultant met with the Incumbents, the Mayor, and City Councilmembers in July and August 2018 to obtain feedback on the evaluation process and to establish performance goals. She noted that in the Fall of 2018, the Consultant worked on a proposed structure and format for the evaluation process to be utilized in future years beginning in Fiscal Year (FY) 2020. She stated that the performance evaluations would be conducted at the end of this FY and reviewed the Performance Evaluation Form.

Lori Steward stated that Human Resources was partnering with the Information Technology Services Department (ITSD) to place the form into an electronic format.

Chairman Courage expressed support for the inclusion of goals and objectives to be set by the personnel to be evaluated.

Councilmember Perry asked what Committees would initially review the form. Ms. Steward replied that the City Auditor's would be brought before this Committee; the Presiding Judge's would be brought before the Municipal Court Advisory Committee; and the City Clerk and City Manager's would be brought before the Governance Committee. She stated that all evaluations would be brought before the full City Council in Executive Session.

Citizen Member Soto asked if the evaluation was for Executive Positions. Ms. Steward replied that the evaluation was for Appointed Executive Positions.

Andy Segovia stated that it was intended that the respective Committees provide input on the form, and then the form would be submitted to the full City Council for approval.

Councilmember Perry stated that he would like to review the forms as soon as possible.

Citizen Member Soto moved to recommend and forward the Performance Evaluation Form to the full City Council for consideration. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

Executive Session

Chairman Courage recessed the meeting into Executive Session at 11:15 a.m. to:

12.Deliberate the Following Information Technology Services, Police, and Fire Departments Security Audit Pursuant to Texas Government Code Section 551.076, Deliberation Regarding Security Devices or Security Audits:

- **AU18-F08 Follow-Up Audit of Information Technology Services, Police, and Fire Departments 9-1-1 Computer Aided Dispatch System Security**

Chairman Courage reconvened the meeting at 11:25 a.m. and announced that no action was taken during Executive Session.

Citizen Member Soto moved to approve the follow-up audit of Information Technology Services, Police and Fire Departments 9-1-1 Computer Aided Dispatch System Security. Councilmember Perry seconded the motion. The motion carried unanimously by those present.

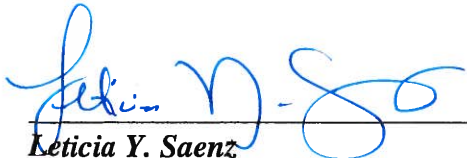
Consideration of Items for Future Meetings

There were no items considered for future meetings.

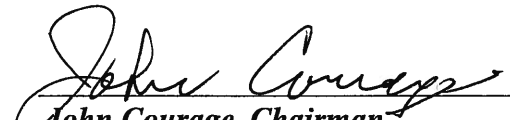
ADJOURN

There being no further discussion, Chairman Courage adjourned the meeting at 11:26 a.m.

ATTEST:



Leticia Y. Saenz
Deputy City Clerk



John Courage, Chairman