

**AUDIT & ACCOUNTABILITY COUNCIL COMMITTEE  
MEETING MINUTES  
SEPTEMBER 17, 2019 at 10:00 AM  
MUNICIPAL PLAZA BUILDING**

Committee Present:	Councilmember John Courage, <i>District 9, Chair</i> Councilmember Roberto C. Treviño, <i>District 1</i> Councilmember Adriana Rocha Garcia, <i>District 4</i> Citizen Member Priscilla Soto Citizen Member Judy Treviño
Committee Absent:	None
Staff Present:	Erik Walsh, <i>City Manager</i> ; Carlos Contreras, <i>Assistant City Manager</i> ; Rod Sanchez, <i>Assistant City Manager</i> ; Andy Segovia, <i>City Attorney</i> ; Ed Guzman, <i>Deputy City Attorney</i> ; Mark Triesch, <i>Assistant City Attorney</i> ; Jameene Williams, <i>Assistant City Attorney</i> ; Scott Zimmerer, <i>Assistant City Attorney</i> ; Bob Nordhaus, <i>Assistant City Attorney</i> ; Danielle Boazeman Schick, <i>Assistant City Attorney</i> ; Ben Gorzell, Jr., <i>Chief Financial Officer</i> ; Troy Elliott, <i>Deputy Chief Financial Officer &amp; Director of Finance</i> ; Kevin Barthold, <i>City Auditor</i> ; Leticia M. Vacek, <i>City Clerk, Office of the City Clerk</i> ; Tina J. Flores, <i>Interim Deputy City Clerk, Office of the City Clerk</i> ; Russ Handy, <i>Director, Aviation</i> ; Michael Shannon, <i>Director, Development Services Department</i> ; Lori Steward, <i>Director, Human Resources</i> ; Razi Hosseini, <i>Interim Director, Transportation and Capital Improvements</i> ; Melanie Keeton, <i>Assistant Director, Finance</i> ; Douglas Melnick, <i>Chief Sustainability Officer, Office of Sustainability</i> ; Mike Etienne, <i>Eastpoint Director</i> ; Buddy Vargas, <i>Audit Manager, City Auditor's Office</i> ; Gabriel Treviño, <i>Audit Manager, City Auditor's Office</i> ; Denice F. Trevino, <i>Office of the City Clerk</i> ; Lauron Fischer, <i>City Manager's Office</i>
Others Present:	Robert J. Williams, <i>RJW CPA</i> ; Richard Martinez, <i>Schrivver, Carmona &amp; Co.</i> ; Angela Dunlap, <i>Grant Thornton</i> ; Erica Brown, <i>Grant Thornton</i>

**CALL TO ORDER**

Chairman Courage called the meeting to order.

- 1. Approval of the Minutes from the Audit & Accountability Committee Meeting on August 30, 2019**

Councilmember Rocha Garcia moved to approve the Minutes of the August 30, 2019 Audit and Accountability Council Committee Meeting. Councilmember Treviño seconded the motion. The motion carried unanimously.

## **CONSENT AGENDA**

### **Final Internal Audit Reports**

2. AU18-C01 Audit of CCDO River Barge Concession Contract
3. AU19-C02 Audit of CSF Alamodome Facility Contracts
4. AU19-028 Audit of TCI Infrastructure Management Plan

### **Post-Solicitation High Profile Items**

5. **Vacant Lot Abatement Services** [Roderick J. Sanchez, Assistant City Manager; Michael Shannon, Director, Development Services]

Councilmember Rocha Garcia moved to approve Items 2 through 5. Councilmember Treviño seconded the motion. The motion carried unanimously.

## **ITEMS FOR INDIVIDUAL CONSIDERATION**

6. **Required Communications for the FY 2019 External Audit.** [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Angela Dunlap reviewed the responsibilities of the external auditors and those with governance and management responsibilities. She stated that the final phase of the audit and the results would be accomplished from December 2019-March 2020. She noted that materiality was the magnitude of an omission or misstatement which likely influences a reasonable person's judgement. She stated that it was ordinarily evaluated against relevant financial statement benchmark(s).

Erica Brown reviewed significant risks and other areas of focus for the audit. She identified the major programs for testing which was determined based on a preliminary schedule of expenditures of Federal and State Awards.

Ms. Dunlap stated that Technology Specialists place particular emphasis on the risks related to the use of technology and associated controls, processes, and practices. She noted that no issues were identified by the technology review. She stated that Grant Thornton relied on reports of other auditors for certain discretely presented and blended component units and engaged internal and external specialists to assist with reasonableness of the fair value of investments and actuarial assumptions for the pension and Other Post-Employment Benefits (OPEB). She noted that Grant Thornton utilized four team partners to complete the audit.

Councilmember Treviño asked for the definition of component units. Ms. Dunlap replied that component units were separate entities with which the City had an ownership relationship such as CPS, and SAWS.

**7. FY 2020 Biannual High Profile Report [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]**

Troy Elliott stated that high profile contracts were defined as: 1) Discretionary Contracts valued at \$1 million or more; 2) Contracts with a high level of community interest or other exceptional interest; and 3) Contracts which were highly complex or technical in nature, or contract terms and conditions which were non-standard or complex. He noted that low bid procurements were excluded from the definition. He stated that since fiscal year (FY) 2015, there have been an average of 41 High Profile Contracts per year. He noted that the following changes to the High Profile Procurement Process were proposed to be implemented for FY 2020:

- Establish a “Select” high profile procurement category based on the following criteria:
  - Financial impact (value over \$25 million)
  - Contract term (over 10 years)
  - Policy/public safety implications
  - Community/stakeholder impact or interest
  - Professional judgement
- Present a High Profile Forecast to City Council at B Session twice a year
- The standard solicitation advertising period for high profile solicitations would be increased from 30 to 45 days.
- For “select” procurements, the pre-solicitation and post-solicitation briefings would occur in B Session
- Respondent names would be included in the score matrices in the post-solicitation briefing for “select” procurements
- Include the initial and final score matrices in post-solicitation presentations made to the Committee and to the full City Council at B Session
- For post-solicitation briefings to the Committee, respondent names would not be reflected in the score matrices

Mr. Elliott stated that following each Committee meeting, staff would prepare a memorandum summarizing the high profile solicitations approved by the Committee to move forward to the full City Council for consideration. He noted that the memorandum would include the respondent names, score matrices, and the anticipated City Council consideration date. He stated that there was no change to the restriction on communication and noted that the Biannual High Profile Report (Report) would be brought before the Committee and City Council in September and February of each year. He stated that the proposed changes did not modify the criteria utilized to define high profile solicitations. He distributed the FY 2020 Biannual High Profile Report to include the department,

solicitation issue date, detailed description, term of contract, estimated value, and anticipated City Council date for each solicitation. He reviewed the select high profile solicitations, the individual high profile solicitations, and the consent high profile solicitations for the first half of FY 2020 (October 2019-March 2020) and reviewed the high profile solicitations in progress. He noted that this was the opportunity for the Committee to provide feedback and the Report would be presented to the full City Council on September 18, 2019.

Chairman Courage noted that consent items could be evaluated individually depending on results of the Audit. Ben Gorzell stated that the Committee could pull consent items for individual consideration. Chairman Courage requested that the first part of the presentation be sent to Committee Members.

Councilmember Rocha Garcia asked how community interest and professional judgement were measured. Mr. Elliott replied that they were based on experience and history. Councilmember Rocha Garcia requested a comparison of select High Profile Contract and High Profile Solicitations.

Citizen Member Treviño confirmed that select high profile solicitations would be brought before the City Council for consideration and not before the Committee.

Councilmember Treviño asked of changes to the restriction on communications which was discussed previously. Andy Segovia stated that any changes to the restriction on communications must be brought before the Ethics Review Board (ERB) for changes to the Ethics Code.

Citizen Member Soto asked why the solicitation for dockless vehicles was designated as select. Mr. Elliott replied that the solicitation for dockless vehicles was designated as select due to policy/public safety implications, and community/stakeholder impact or interest.

No action was required for Item 7.

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

#### **8. AU19-018 Audit of NHSD Down Payment Assistance Programs**

Gabe Treviño stated that the objective of the audit was to determine if the Down Payment Assistance Programs were managed effectively and in compliance. He noted that the Neighborhood and Housing Services Department (NHSD) was responsible for providing management and delivery of City resources focused on housing, economic stimulation, reinvestment, and rehabilitation. He stated that included in these services were three programs focused on providing home-buying assistance to the City's employees, first responders, and general residents of San Antonio. He noted that the three programs were: 1) The Homeownership Program for Employees (HOPE); 2) The First Responders Homebuyer Assistance Program (FRHAP); and 3) The Homeownership Incentive Program (HIP). He provided details on each of the three programs and stated that the audit revealed

that the Down Payment Assistance Programs were managed effectively and in compliance. He noted that NHSD was evaluating program applicants based on program qualifications and issuing the authorized funds based on program policies. He stated that the audit noted opportunities to strengthen the controls associated with recognizing when enrolled personnel separate from the City, accounting for the recoupment of unforgiven funds of separated employees, and securing electronic loan file documents.

Councilmember Rocha Garcia expressed support for marketing of the programs to employees who may not have access to email. Mike Etienne stated that staff partnered with Human Resources to market to employees through employee orientation and the employee newsletter.

Councilmember Treviño moved to accept the audit report of NHSD Down Payment Assistance Programs. Citizen Member Treviño seconded the motion. The motion carried unanimously.

#### 9. AU19-004 Audit of Aviation Rental Car Concession Agreements

Mr. Treviño stated that the objective of the audit was to determine if Aviation Rental Car Concession Agreements were adequately managed and City concession receipts were accurate. He noted that the San Antonio International Airport (SAT) contracted with eight different entities through formal agreements to provide on-site rental car services to customers. He stated that according to the agreements, rental car companies must pay the City Rental Car Concession Revenue. He noted that the Rental Car Concession Revenue consisted of three categories: 1) Ground Rent; 2) Minimum Annual Guaranteed Payments; and 3) 10% of the rental companies' gross revenue earned at the airport. He stated that the audit scope included all rental car concession agreements and Rental Car Concession Revenue received during FY 2018. He noted that the audit revealed that internal controls required improvement to ensure the City's Rental Car Concession Agreements were properly managed and were in compliance with key contractual terms. He stated that it was recommended that the Aviation Department:

- Develop a Contract Administration Plan (CAP) for all contracts to ensure that essential tasks were performed, and periodic reviews and monitoring were completed
- Enforce contract terms requiring concessionaires to provide timely annual statements which were certified by an independent third party indicating that all gross sales were accurately reported to the City
- Reduce the scope of compliance audits in order to increase the number of compliance audits performed on an annual basis

Russ Handy stated that the audit identified organizational flaws and the need for process improvements. He noted that the CAPs were completed for all rental car contracts on June 14, 2019 and effective July 15, 2019, a contract with My Certificate of Insurance (MyCOI) was initiated addressing all contract insurance requirements. He stated that reminder "ticklers" have input into the Property Management Information System (PMIS) for all of

the Rent-A-Car (RAC) contracts which generate reminder emails that annual statements were due. He noted that the number of car rental compliance reviews would increase to three per fiscal year by narrowing the scope of the reviews. He stated that if the results revealed a discrepancy of more than 5% for the scope of the audit period, a third party private firm would be solicited to perform a comprehensive audit with an extended scope. He noted that in the event that the results of the contracted audit reveals for any 12 month audit period a discrepancy of more than 3%, the full cost of the audit would be paid for by the car rental agency as prescribed in the Consolidated Rental Car Center Facility (CONRAC) Rental Car Concession Agreement.

Councilmember Rocha Garcia asked of the fees charged when annual statements were not submitted by the deadline. Kevin Barthold stated that a fee of \$100 per month would be assessed.

Citizen Member Soto moved to accept the audit of Aviation Rental Car Concession Agreements. Councilmember Treviño seconded the motion. The motion carried unanimously.

### **Post-Solicitation High Profile Briefings**

#### **10. Airfield Improvements, Package 6 [Carlos Contreras, Assistant City Attorney; Russell Handy, Director, Aviation]**

Russ Handy stated that the solicitation for Airfield Improvements, Package 6 provided for: 1) Installation of a duct bank and new fiber for the Federal Aviation Administration (FAA) cable loop system at both Taxiways E and R; 2) Removal and relocation of Taxiway E to meet current FAA standards; and 3) Installation of a temporary Bypass Taxiway RC connecting Taxiways R and RC. He noted that the project would be funded in part with FAA Airport Improvement Program grant funds. He stated that following the initial evaluation, the top two firms were invited for an interview and the Evaluation Committee recommended awarding the contract to the highest-ranked respondent.

Chairman Courage asked of the discrepancy between the scoring of the initial evaluation and the interview. Mr. Handy stated that Firm #2 adequately answered all of the Evaluation Committee's questions and Firm #1 did not during the interview.

Citizen Member Treviño asked what the overall evaluation of the firm/team was based on. Mr. Handy replied that the evaluation was based on previous experience with the firm and overall knowledge of the firm.

Councilmember Rocha Garcia moved to accept the post-solicitation high profile briefing on Airfield Improvements, Package 6. Citizen Member Treviño seconded the motion. The motion carried unanimously.

#### **11. Local Financial Underwriting Services. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer, Finance]**

Troy Elliott stated that the City requested qualifications from local firms to expand the City's financial underwriting pool. He noted that the City's pool was currently made up of 18 firms and was approved on June 15, 2017. He stated that this solicitation would allow for qualified local firms to be added to the existing pool for the remainder of the term of the pool which would end on September 30, 2022. He noted that the Evaluation Committee met and by consensus, recommended awarding contracts to both respondents to be added to the financial underwriting pool. He added that this item was tentatively scheduled for full City Council consideration on October 3, 2019.

Chairman Courage asked of the role of underwriters. Mr. Elliott stated that the Underwriting Teams would market the issuance of bonds and sell debt to potential investors.

Citizen Member Soto asked if the term was typically for five years. Mr. Elliott replied that the term was for five years and a Request for Qualifications (RFQ) would be issued at the end of the term.

Citizen Member Treviño moved to accept the post-solicitation high profile briefing on Local Financial Underwriting Service. Citizen Member Soto seconded the motion. The motion carried unanimously.

#### **Executive Session**

Chairman Courage recessed the meeting into Executive Session at 11:19 am to discuss matters for attorney-client consultation in compliance with the Texas Open Meetings Act (Texas Government Code Section 551.071). He reconvened the meeting at 11:30 am and announced that no action was taken.

#### **ADJOURN**

There being no further discussion, Chairman Courage adjourned the meeting at 11:30 am

**ATTEST:**

  
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***Tina J. Flores***  
***Interim Deputy City Clerk***  
***Office of the City Clerk***

  
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***John Courage, Chairman***

