

City of San Antonio



Minutes Audit Committee

2023 – 2025 Council Members

Chair: Phyllis Viagran, District 3

John Courage, District 9 | Marc Whyte, District 10

Citizen Representative Dr. Judy Trevino and Philip M. Harris

Tuesday, January 14, 2025

10:00 AM

Council Briefing Room

The Audit Committee convened a regular meeting in the City Hall Council Briefing Room beginning at 10:04 AM. City Clerk Debbie Racca-Sittre took the Roll Call noting a quorum with the following Committee Members present:

Members Present: Phyllis Viagran, *Chair*
Marc Whyte, *Member*
Dr. Judy Trevino, *Citizen Member*
Philip Harris, *Citizen Member*

Members Absent: John Courage, *Member*

Approval of Minutes

1. Approval of minutes from the December 16, 2024 Audit Committee Meeting

Citizen Member Harris moved to Approve the minutes of the December 16, 2024 Audit Committee meeting. Councilmember Whyte seconded the motion. The motion carried by the following vote:

Aye: Viagran, Whyte, Harris

Absent: Courage, Trevino

Public Comments

There were no public comments.

CONSENT AGENDA

Final Internal Audit Reports

2. Acceptance of the Office of the City Auditor Report AU24-017 Audit of SAMHD SA Kids BREATHE Program [Buddy Vargas, City Auditor]

Citizen Member Harris moved to Approve on the Consent Agenda. Councilmember Whyte seconded the motion. The motion carried by the following vote:

Aye: Viagran, Whyte, Harris

Absent: Courage, Trevino

3. Acceptance of the Office of the City Auditor Report AU24-023 Audit of ITSD Artificial Intelligence [Buddy Vargas, City Auditor]

Citizen Member Harris moved to Approve on the Consent Agenda. Councilmember Whyte seconded the motion. The motion carried by the following vote:

Aye: Viagran, Whyte, Harris

Absent: Courage, Trevino

ITEMS FOR INDIVIDUAL CONSIDERATION

Pre-Solicitation High Profile Briefings

4. Briefing on the release of a solicitation for one contract to provide the Public Works Department with construction services for the Seeling Drainage Phase 4 (Lowery Drive to St. Cloud and Placid Drive from Sage Drive to Pardo Circle) in the estimated total value of \$22,741,177. [John Peterek, Interim Assistant City Manager, Razi Hosseini, P.E., Director, Public Works]

Razi Hosseini, Director of Public Works stated that the Public Works Department was soliciting a Request for Competitive Sealed Proposals (RFCSP) for the construction of Seeling Drainage Phase 4 (Lowery Drive to St. Cloud and Placid Drive from Sage Drive to Pardo Circle), a 2022 Bond Program project, located in Council District 7. He outlined the solicitation outreach methods, timeline, evaluation panelists, and scoring criteria and indicated that the Small Business Economic Development Advocacy (SBEDA) Program subcontracting requirements had been established by the Goal Setting Committee at 14% for Minority and Woman-Owned Businesses (M/WBE) and 1% for African American Business Enterprises (AABE), and the prime would be expected to participate in the Mentor Protégé Program.

DISCUSSION:

Chair Viagran wanted to ensure that the applicants were aware of the contribution blackout period with the upcoming election. Restrictions on communications began immediately, but the restriction on campaign donations began 10 days post advertisement and those requirements were outlined in the pre-solicitation conference, according to Deputy Chief Financial Officer Troy Elliott.

Chair Viagran explained that even though the project was located in Council District 7, this was a very large and important drainage project for the entire City. Chair Viagran noted that Citizen Member Trevino arrived at the meeting during Hosseini's presentation.

Item was for briefing only so no action was taken.

- 5. Briefing on the release of a solicitation for one contract to provide Employee Life Insurance in the estimated total value of \$12,700,000 for a 3-year term with 2, 1-year renewal options.** [Ben Gorzell Jr., CPA, Chief Financial Officer, Renee Frieda, Director, Human Resources]

Director of Human Resources Renee Frieda stated that the City of San Antonio was seeking proposals from organizations qualified to provide Group Life and Accidental Death & Dismemberment (AD&D), Voluntary Supplemental Life, and Dependent Life insurance to City employees and their dependents. She reported that the City's Employee Benefits Program provided group term life insurance and AD&D insurance to over 13,000 eligible uniformed, civilian, and Local Government Council Employees at no cost to the employee. She outlined the solicitation outreach methods, timeline, evaluation panelists, and scoring criteria and noted that SBEDA had been waived.

DISCUSSION:

Chair Viagran wanted to ensure that the department kept the solicitation on schedule. She noted that the Item was for briefing only so no action was taken.

Final Internal Audit Report

- 6. Acceptance of the Office of the City Auditor Report AU23-027 Audit of NHSD Home Improvement Programs** [Buddy Vargas, City Auditor]

Abigail Estevez, Audit Manager, provided an overview of the audit, which had the objective of determining if home improvement programs were managed effectively, efficiently, and in compliance with established guidelines to include vendor management. She noted that Major Repair, Minor Repair, and Under 1 Roof Programs were included as part of the City Auditor's review. The overall conclusion was that the Neighborhood Housing Services Department (NHSD) home improvement programs were not managed effectively, efficiently, or in compliance with established guidelines.

Estevez reported the following findings related to program management: projects were approved despite missing required eligibility documentation, denial letters to participants were created during the audit and backdated, projects proceeded prior to document completion or adequate approvals, contractors did not have adequate insurance coverage, approval was not obtained before change orders were executed, amended restrictive covenants were not filed for projects with change orders, and payments were not made in compliance with policies.

Estevez stated that participant feedback surveys were not available for review, performance measures were not clearly defined or adequately supported, and user access to participant data was excessive. She noted that NHSD management agreed with the recommendations and developed correction action plans to address issues; these plans were completed in November 2024.

Chair Viagran recognized Director of NHSD Veronica Garcia, who thanked the City Auditor for their review. Garcia provided background on the home improvement programs, noting that they had grown significantly with the addition of the Housing Bond funding, which provided an additional \$45 million

starting in fiscal year 2023.

Garcia reported that program policies and procedures had been updated to reflect the scale of current programs and services and all corrective actions identified for the audit had already been completed including the restructuring of staff to provide additional management oversight, clarification of homeowner eligibility requirements, coordination with Office of Risk Management on insurance requirements, updated contracts and change order processes and along with the Office of the City Attorney, enhanced fiscal processes and documentation, and all staff were retrained on new policies and procedures.

Garcia stated that the department also implemented a new customer survey process and defined performance measures to clarify projects that were in various phases through a fiscal year, including pre-construction, under construction, or completed. Garcia noted that her office worked with the Information Technology Services Department (ITSD) to modify access to systems and ensure security. Garcia stated that NHSD was committed to ensuring that programs were effectively managed, and homeowners were provided with efficient services and support needed to preserve their home.

Assistant City Manager Lori Houston stated that the City Manager's Office required NHSD to perform a 100% file review and she assured the Committee that corrective actions had been taken.

DISCUSSION:

Chair Viagran thanked the City Auditor's Office for their work and reminded Committee Members to keep their comments relevant to the audit. She noted that more funds meant that policies needed to be updated. She suggested that a subcommittee might be able to help ensure that everything was in place when City Council passed a bond program or gave a significant amount of money to a department. Chair Viagran suggested coordinating the survey with the Communications & Engagement Department.

Councilmember Whyte asserted that his residents were concerned that there was waste and abuse at the City for all programs across the organization and this audit report was a testament to those concerns. He cited the Audit Report, which stated that the mismanagement created an environment susceptible to fraud, waste, and abuse. Councilmember Whyte noted that 27 of the 29 projects reviewed by the auditor were not in compliance with the department's policies, and that nine out of the 14 change orders did not receive prior approval by NHSD and the change orders caused the project to exceed the project limits. Houston explained that each project had its own initial estimate, and a change order would result in an increase to the lien on the home, but it was mainly a timing issue; the resolution was to put contingency within the project to cover potential change orders but these would need to be signed by the Director.

Citizen Member Trevino recommended that contractors be trained on the new policies. Garcia stated that the department met with contractors and provided them with the written policies. Citizen Member Trevino asked why they were waiting two years to follow up and re-audit. City Auditor Buddy Vargas clarified that the follow-up would occur in FY 2026 in order to give time for more projects to go into the system so the auditor could get a new sample and audit those projects in the same manner.

Councilmember Whyte stated that he supported the program overall but expressed concern that there had been insufficient planning and strategy when the program began and noted misleading

performance results due to inadequate metrics. Houston explained that the metrics were intended to convey the number of homes that had been helped regardless of the phase of the project and the audit recommended only to count completed projects. Councilmember Whyte requested the financial impact to the City. Esparza stated that there were no financial impacts since the work was performed.

Councilmember Whyte asked Garcia what happened and whether more staff were needed. Garcia indicated that existing staff was realigned and there were extra services added. She noted that staff turnover was a concern and frequent training was needed. Councilmember Whyte recommended slowing spending on new programs to alleviate those issues in the future.

Chair Viagran recommended the creation of a subcommittee to review future bonds to ensure adequate oversight, metrics, and staffing for these new projects as this could happen to any department whose budget grew faster than its administration.

Chief Financial Officer Ben Gorzell commented that many audits were on the consent agenda for the Audit Committee because they did not have significant findings. He noted that the NHSD policies were there before the bond funds were received but were insufficient for such a large scale, and he recommended updating policies and procedures before budgets grew and new programs were funded and implemented.

Citizen Member Trevino moved to Approve. Citizen Member Harris seconded the motion. The motion carried by the following vote:

Aye: Viagran, Whyte, Trevino, Harris
Absent: Courage

Consideration of items for future meetings

Next Scheduled Meeting Date: February 11, 2025

ADJOURNMENT

There being no further discussion, the meeting was adjourned at 10:49 a.m.

Approved

Phyllis Viagran, Chair

*Debbie Racca-Sittre
City Clerk*