

# 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, October 8, 2024**

**10:30 AM**

**Council Briefing Room**

The Audit Committee convened a regular meeting in the City Hall Council Briefing Room beginning at 10:30 AM. City Clerk, Debbie Racca-Sittre took the Roll Call noting a quorum with the following Committee Members present:

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

**Members Absent:** Philip Harris, *Citizen Member*

### Approval of Minutes

#### 1. Approval of minutes from the September 10, 2024 Audit Committee Meeting

Councilmember Courage moved to Approve the minutes of the September 10, 2024 Audit Committee meeting. Citizen Member Trevino seconded the motion. The motion carried by the following vote:

**Aye:** Viagran, Courage, Whyte, Trevino

**Absent:** Harris

### Public Comments

There was no Public Comment.

## CONSENT AGENDA

### Final Internal Audit Reports

**2. Acceptance of the Office of the City Auditor Report AU24-020 Audit of HR Payroll Deductions** [Kevin W. Barthold, City Auditor]

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

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

**3. Acceptance of the Office of the City Auditor Report AU24-026 Audit of ITSD Configuration Management** [Kevin W. Barthold, City Auditor].

If a Committee member pulls this item for discussion, it will be discussed in Executive Session as this report is confidential and is excepted from public disclosure pursuant to the provisions of the Texas Government Code Section 552.139. Exception: Confidentiality of Government Information Related to Security or Infrastructure Issues for Computers, and shall not be distributed publicly.

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

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

**4. Acceptance of the Office of the City Auditor Report AU24-027 Audit of the Office of Management and Budget 24/7 Performance Metrics** [Kevin W. Barthold, City Auditor]

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

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

**5. Acceptance of the Office of the City Auditor Report AU24-022 Audit of ITSD Security Awareness Program** [Kevin W. Barthold, City Auditor]

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

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

## ITEMS FOR INDIVIDUAL CONSIDERATION

### Pre-Solicitation High Profile Briefings

6. **Briefing on the release of a solicitation for up to six contracts to provide the Neighborhood & Housing Services Department with Texas Certified Lead Abatement Contractor Services in the estimated total value of \$6,500,000 for 2 years with 3, 1-year options to renew.** [Lori Houston, Assistant City Manager; Veronica Garcia, Director, Neighborhood & Housing Services Department]

Veronica Gonzalez, Assistant Director of Housing & Neighborhood Services (NHSD) provided an overview of the Item. She stated that the department was seeking Texas-certified lead abatement contractors to support San Antonio's Green and Healthy Homes Program (SAGHHP). She noted that these contractors would be responsible for remediating lead-based paint from homes participating in NHSD's rehabilitation programs. Gonzalez reported that the SAGHHP aimed to address lead hazards in homes of children at risk of lead poisoning through HUD's Lead Hazard Reduction Grant (LHRG) Program. She added that lead abatement services would also extend to the Owner-Occupied Rehabilitation and Minor Repair Program.

Gonzalez provided an overview of the scoring criteria including: 45 points for Experience, Background, Qualifications; 35 points for Proposed Plan; 15 points for Pricing; and 5 points for the Veteran Owned Small Business Preference Program. She explained that the Small Business Economic Development Advocacy (SBEDA) and Local Preference Programs did not apply to the solicitation because Federal funding was included from the United States Department of Housing and Urban Development (HUD) which required the Disadvantaged Business Enterprise (DBE) Program instead. Gonzalez provided a timeline for the solicitation which would be released on October 23, 2024, and due on December 9, 2024. She indicated that the new contracts were anticipated to begin March 1, 2025, and the current contract was due to expire on December 31, 2024.

### DISCUSSION:

Chair Viagran asked whether projects were lined up for the new vendors and expressed concern that there might be a gap in service since the current contracts would expire on December 31, 2024, and the new contracts would not begin until March 1, 2025. Chair Viagran wanted to ensure that six contractors would be enough for the amount of work required. Gonzalez stated that there were only about six vendors in the area that met the certification requirements and she assured the Chair that there would be no gaps in service. Chair Viagran asked if Bexar County had a similar program. Gonzalez stated that she was not aware of any program by Bexar County. Chair Viagran recommended robust outreach to local vendors, particularly those on the South Side.

Councilmember Courage asked what was utilized to determine what homes needed assistance. Gonzalez explained that the SAGHHP Program included outreach as well as lead abatement and mitigation. Councilmember Courage asked if lead pipes were covered by the grant. Gonzalez confirmed that lead pipes were not covered as a part of the Program. Councilmember Courage recommended a program to address lead pipes.

Chair Viagran suggested that the Municipal Utilities Committee (MUC) could review the water pipe issue with SAWS. She noted that the Item was for briefing only so no action was taken.

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

- 7. Approval to proceed with scheduling two contracts for City Council consideration to provide the Aviation Department with Job Order Contract services for various projects for the City of San Antonio Airport. Services include incidental demolition, construction, repair, rehabilitation, alteration, and deferred maintenance on San Antonio Airport System owned and leased buildings, or other facilities of interest to the Airport in the estimated total value up to \$30,000,000 for an initial 2-year term with 3, 1-year options to renew. [Jeff Coyle, Assistance City Manager; Jesus H. Saenz Jr., Director, Aviation]**

Sam Rodriguez, Chief Development Officer for the Aviation Department provided an overview of the solicitation. He stated that the Aviation Department solicited a Request for Competitive Sealed Proposals (RFCSP) to provide job order contracting (JOC) services for various projects in the City of San Antonio Airport Department. Rodriguez reported that services included incidental demolition, construction, repair, rehabilitation, alteration, and deferred maintenance on San Antonio Airport System-owned and leased buildings, or other facilities of interest to the Airport.

Rodriguez reported that out of 18 vendors that attended the pre-submittal conference, nine submitted responses and five were deemed nonresponsive for failure to meet the 17% DBE subcontracting goal. He indicated that after evaluation of the four remaining vendors, Rodriguez recommended the two highest-ranked firms for contracts valued at \$3 million each, annually.

### **DISCUSSION:**

Chair Viagran asked how many vendors were being sought. Rodriguez stated that initially, the department wanted three vendors but were only recommending two due to scoring. Chair Viagran wanted to ensure that these contracts would help keep small airport projects on track.

Councilmember Courage asked why five respondents were deemed nonresponsive. Rodriguez stated that these firms did not meet the Federal Disadvantaged Business Enterprise (DBE) Program goal so they were disqualified.

Citizen Member Trevino requested clarification on the scores for DBE. Barbara Patton, DBE Coordinator for the Airport stated that 10 points were awarded for meeting the DBE goal and 10 points were awarded for the DBE narrative statement. Citizen Member Trevino asked why Vendor C passed through to the initial evaluation but got zero points. Deputy Chief Financial Officer (CFO) Troy Elliott explained that the vendor who did not get any points, did not meet the goal, but received a waiver due to their presentation of a good faith effort so they were deemed responsive.

Chair Viagran commented that staff was only recommending Vendors A and B so it did not matter if Vendor C would have gotten 10 points for DBE, they would have still scored lower than Vendors A and B. Councilmember Courage requested more information or a future briefing on the DBE Program and moved to forward the contracts to City Council.

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

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

8. **Approval to proceed with scheduling nine contracts for City Council consideration to provide the Public Works Department with Job Order Contract services for various projects for the City of San Antonio. Services include incidental demolition, construction, repair, rehabilitation, alteration, and deferred maintenance on City owned and leased buildings, or other facilities of interest to the City in the estimated total value of \$120,000,000 for an initial 2-year term with 3, 1-year options to renew.** [John Peterek, Interim Assistant City Manager; Razi Hosseini, Director/City Engineer, Public Works Department]

Luis Maltos, Assistant Public Works Director, provided an overview of the solicitation. He stated that the Public Works Department solicited a Request for Competitive Sealed Proposals (RFCSP) to provide job order contracting (JOC) services for various projects for the City of San Antonio. He noted that services included incidental demolition, construction, repair, rehabilitation, alteration, and deferred maintenance on City-owned and leased buildings, or other facilities of interest to the City.

Maltos reported that out of 18 vendors that attended the pre-submittal conference, 16 submitted responses that met the SBEDA subcontracting requirements of 24% for Minority and Woman Owned Business (M/WBE) and 3% for African American Business Enterprise (AABE). He indicated that after evaluation, Maltos recommended the top nine vendors for contracts valued at a total of \$24 million annually through various funding sources.

Chief Financial Officer Ben Gorzell explained that under the DBE Program, points were also applied to the subcontracting goal, however, with SBEDA, the subcontracting requirement was a pass or fail.

#### DISCUSSION:

Councilmember Courage asked how many of the nine recommended firms already had contracts with the City. Maltos stated that six of the nine recommended firms have had successful contracts with the City and the three new firms provided information on similar projects owned by different entities; references were provided. Councilmember Courage noted that the scoring was still close for vendors ranked tenth and eleventh. Maltos noted that unsuccessful vendors could be provided with a debrief but the staff was only recommending nine contracts.

Councilmember Whyte recommended checking references on the new vendors to ensure that they were on-time and on-budget with other owners' projects. Deputy Chief Financial Officer Troy Elliott stated that the Procurement Division checked references and each firm provided sample projects that were similar to the City's projects.

Chair Viagran found it interesting that some vendors scored high in the criteria but not on SBEDA.

She requested a motion to approve the contracts to move forward to the full City Council.

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

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

9. **Approval to proceed with scheduling four contracts for City Council consideration to provide the Public Works Department with On-Call Cultural Resources Consulting Services related to federal transportation projects, capital improvement bond projects, and other City projects, located citywide in the estimated total value of \$15,000,000 for 3 years with 2, 1-year options to renew.** [John Peterek, Interim Assistant City Manager; Razi Hosseini, Director, Public Works Department]

Luis Maltos, Assistant Public Works Director provided an overview of the solicitation. He stated that the Public Works Department solicited a Request for Qualifications (RFQ) for On-Call Cultural Resources Consulting Services for Federal transportation, bond-funded, and other City funded projects, located citywide. Maltos reported that these services would include compliance efforts associated with Federal, State, and local historic and cultural resource laws, rules and regulations. Maltos indicated that out of 11 vendors that attended the pre-submittal conference, eight submitted responses that met the DBE 8.5% subcontracting requirement. After evaluation, Maltos recommended the top four vendors for contracts valued at a \$3.75 million annually through 2022 General Obligation Bonds and other various funding sources including Federal funds.

#### DISCUSSION:

Chair Viagran wanted to ensure that all recommended firms were familiar with City and State requirements. She asked if State legislative updates would impact the projects. Maltos stated that there would be coordination on any new regulations. Chair Viagran requested a motion to approve the contracts to move forward to the full City Council.

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

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

10. **Approval to proceed with scheduling one contract for City Council consideration to provide a Construction Manager At Risk (CMAR) for pre-construction and construction phase services for the Ella Austin Community Center, located in Council District 2 in the estimated total value not to exceed \$17,200,000.** [John Peterek, Interim Assistant City Manager; Razi Hosseini, P.E., Director/City Engineer, Public Works Department]

Luis Maltos, Assistant Public Works Director provided an overview of the solicitation. He stated that the Public Works Department solicited for a Construction Manager at Risk (CMAR) to

provide pre-construction and construction services for the Ella Austin Community Center Renovation Project, located at 1023 N. Pine Street, in City Council District 2. Maltos reported that services would include development of design optimization considerations, development and management of the project construction schedule, risk mitigation, and construction to assist the City in project execution.

Maltos explained that a CMAR was a two-step procurement process which included an initial scoring of all four vendors that responded. He noted that all four firms met the SBEDA subcontracting requirements of 10% M/WBE and 3% AABE. However, one of the vendors was disqualified for making a prohibited political contribution, leaving three firms which were interviewed under the second process step. Maltos recommended a \$17.2 million contract for the top-ranked firm.

#### DISCUSSION:

Chair Viagran expressed concern that no firms received any points for SBEDA. Maltos explained that all firms met the subcontracting requirements of 20% MWBE and 3% AABE but none were small business primes which was where the SBEDA points could have been earned.

Councilmember Courage clarified that the successful firm would meet the SBEDA subcontracting goal.

Chair Viagran requested a motion to approve the contracts to move forward to the full City Council.

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

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

#### Staff Briefing

##### **11. Briefing on the Required Communication for Fiscal Year 2024 External Independent Audit** [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer, Finance]

Melanie Keeton, Assistant Director of Finance, explained the difference between an Internal Audit performed by the Office of the City Auditor and an external audit which was statutorily required to be completed by an outside firm; Forvis Mazars was the City's external audit firm.

Keeton explained that the City was responsible to: develop, review and revise internal controls and fiscal policies and procedures; interpret and implement new (Government Accounting Standards Board) GASB regulations, prepare and consolidate annual financial statements, develop disclosure notes, transmittal letter, management discussion and analysis (MD&A) and statistical sections; review, adjust, and consolidate component unit financials into the City's annual report; create supporting schedules and documents for auditor testing; answer auditor follow-up requests;

prepare the Airport's Passenger Facility Charge (PFC) report, create Federal and State grant expenditure schedules and reports; work with departments on responses to any findings, where needed; enter the Federal expenditures into the Federal Data Collection Form Database; create supporting schedules and documents for auditor testing; and coordinate with departments to answer auditor follow-up requests.

Keeton introduced Amanda Eaves, CPA and Partner at Forvis Mazars, who introduced the team's partners. Eaves explained that Forvis Mazar audited the City's Annual Comprehensive Financial Report, tested for compliance with specified requirements applicable to the City's major Federal and State award programs, and audited in accordance with: auditing standards generally accepted in the United States of America, the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and State of Texas Grants Management Standards (TxGMS). Forvis Mazars would obtain reasonable rather than absolute assurance about whether the financial statements were free of material misstatement, whether caused by error or fraud.

Eaves stated that Forvis Mazar was responsible for delivering the following: an Annual Comprehensive Financial Report, a Single Audit under Uniform Guidance (UG), a Single Audit under State of Texas TxGMS, Passenger Facility Charge Report, Texas Commission on Environmental Quality Agreed Upon Procedures Report, and Municipal Aides Corporation (LGC) Financial Statements.

Eaves provided a timeline for the audit and components to be expected within the final report. She explained materiality and noted significant upcoming accounting pronouncements as well as testing major programs as required. Eaves provided a chart of other audits not conducted by Forvis Mazar.

Eaves listed risk areas and the audit approach. She described how the firm tested for error and fraud. Eaves asked the Audit Committee to provide input on the following areas: knowledge of any significant known or suspected fraud, any specific risks of error or fraud identified by the City, Audit Committee oversight, any noncompliance with requirements of laws or regulations, known internal control deficiencies/overall view of internal control structure, any concerns over relationships or transactions with related parties, significant and unusual transactions entered into during the year, known data breaches, ransomware attacks, or other cybersecurity events.

Chair Viagran thanked the Finance Department and Audit team for their work noting that keeping healthy audits assisted the City in being successful in obtaining grants and other funding. Chair Viagran announced that the Item was for briefing only so no action was taken.

## **Executive Session**

There was no Executive Session.

## **Consideration of items for future meetings**



Next Scheduled Meeting Date: November 12, 2024

## **ADJOURNMENT**

Chair Viagran announced that today was the last meeting with City Auditor Kevin Barthold's before retiring after 13 years with the City. City Auditor Barthold thanked the Committee and staff for their support. Chair Viagran, Councilmembers Courage and Whyte, Citizen Member Trevino, CFO Gorzell, and Deputy CFO Elliott thanked Barthold for his service and professionalism.

There being no further discussion, the meeting was adjourned at 11:30 a.m.

**Approved**

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***Phyllis Viagran, Chair***

***Debbie Racca-Sittre, City Clerk***