

City of San Antonio



Minutes Audit and Accountability Committee

2021 – 2023 Council Members

Chair: John Courage, District 9
Mario Bravo, District 1 | Manny Pelaez, Dist. 8
Citizen Member Trevino

Tuesday, December 6, 2022

10:00 AM

Council Briefing Room

The Audit and Accountability Committee convened a regular meeting in City Hall beginning at 10:02 PM. City Clerk Debbie Racca-Sittre took the Roll Call noting a quorum with the following Committee Members present:

Members Present: John Courage, *Chair*
Mario Bravo, *Member*
Judy Trevino, *Citizen Member*

Members Absent: Manny Pelaez, *Member*

Approval of Minutes

1. Approval of minutes from the September 21, 2022 Audit and Accountability Committee meeting

Councilmember Trevino moved to Approve the minutes from the September 21, 2022 Audit and Accountability meeting. Councilmember Bravo seconded the motion. The motion carried by the following vote:

Aye: Courage, Bravo, Trevino
Absent: Pelaez

Public Comments

There were no public comments.

CONSENT AGENDA

Final Internal Audit Reports

2. Acceptance of the Office of the City Auditor Report AU22-007 Audit of CSF Service Provider Revenue Contracts [Kevin W. Barthold, City Auditor]

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

3. Acceptance of the Office of the City Auditor Report AU22-025 Audit of ITSD - Security Awareness Training Program - 2022 [Kevin W. Barthold, City Auditor]

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

4. Acceptance of the Office of the City Auditor Report AU22-027 Audit of ITSD Solaris Server Security [Kevin W. Barthold, City Auditor] • If a Committee member pulls this item off the consent agenda section, then this item will be briefed in Executive Session pursuant to Texas Government Code Section 552.139, deliberation regarding security devices or security audit.

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

5. Acceptance of the Office of the City Auditor Report AU21-028 Audit of PWD City Hall Renovation [Kevin W. Barthold, City Auditor]

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

6. Acceptance of the Office of the City Auditor Report AU22-035 Audit of SAPD Ground Transportation Unit [Kevin W. Barthold, City Auditor]

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

7. Acceptance of the Office of the City Auditor report AU22-039 Audit of the Public

Works Sidewalks Program [Kevin W. Barthold, City Auditor]

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

8. Acceptance of the Office of the City Auditor Report AU22-F05 Follow-Up Audit of SAPD Alarm Permits [Kevin W. Barthold, City Auditor]

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

ITEMS FOR INDIVIDUAL CONSIDERATION

9. Briefing and possible action on Council Consideration Request by Councilmember Melissa Cabello Havrda, District 6, regarding a Responsible Bidder Ordinance for Low Bids for Construction Contracts. [Roderick Sanchez, Assistant City Manager; Razi Hosseini, Director, Public Works]

Director of Public Works and City Engineer, Razi Hosseini provided an overview of the Council Consideration Request (CCR) and noted the requirements of Chapter 252 of the Texas Local Government Code regarding responsible bidders. Hosseini described a proposed Ordinance that would ensure that vendors were not: indebted to the City, involved in any frivolous claims against the City, terminated on a prior City Contract, history of poor performance on a City Contract, or failed to disclose a violation of criminal law.

Hosseini described a process for staff to rate the vendors using a scorecard and the contractors would also be able to rate the City and the Design Consultant. The Scorecard included 20% for contract requirements: bonding and insurance, subcontractor utilization plan, baseline construction schedule, prevailing wage requirements compliance, obtaining required permits, field office requirements, and soil relocation requirements. Hosseini reported that schedule, quality of the work, and job site, each respectively were worth 20%. He proposed 10% for timely invoicing, payment to subcontractors, and response to change order requests and the same percentage for Project Closeout.

Hosseini listed the Scorecard criteria for the contractor to rate the City and its Design Consultants as follows: 40% for responsiveness of the City and Design Consultant each respectively, and 20% for issue resolution and payments. Hosseini provided a timeline for the Ordinance that was planned for consideration by City Council in January 2023.

Chair Courage supported Hosseini's proposal to evaluate bidders but also to let the vendors evaluate the City. Chair Courage questioned whether other factors were impacted such as the Small Business Economic Development Advocacy (SBEDA) Program. City Attorney Andy Segovia clarified that this was only related to Low Bid Contracts and did not impact any other policy. Hosseini added that

facility construction or complex or downtown street/drainage projects were usually not procured using Low Bid but explained that the Street Maintenance Program and other small street or drainage projects were usually procured using the Low Bid method.

Chair Courage expressed concern that street and drainage Contractors did not always inform the community in advance of the construction start and recommended a minimum two week notice period and a second reminder a few days before start of construction. Chair Courage recommended reviewing how the project impacted businesses. Hosseini replied that the Scorecard addressed the issue of the vendor's responsiveness to the local businesses who were located within the construction zone or inconvenienced by the construction project. City Manager Erik Walsh stated that the Economic & Workforce Development Committee (EWDC) would be briefed about the new Construction Mitigation Program next week.

Citizen Member Trevino asked whether the Contractor was required to complete a Scorecard on staff and consultants and whether non successful bidders would be scored. Hosseini stated that Contractors were not required to rate the City but would be encouraged to do so. Deputy City Attorney Ray Rodriguez clarified that new bidders would not have a Scorecard but after a bidder had worked on a City project, a Scorecard would be available and could be considered in determining whether a bidder was deemed to be responsible. Gorzell confirmed that staff would disclose to City Council any instance where a low bidder was deemed non-responsive due to the Scorecard. Chair Courage asked if Subcontractors were also being evaluated in the Scorecard. Hosseini affirmed that Subcontractors were evaluated as a part of the Contractor's Team.

Councilmember Bravo recommended discussion with the vendor throughout the project and not simply at the end of the project and expressed concern that a vendor who was unhappy with the staff might be hesitant to provide candid feedback. Councilmember Bravo suggested that Councilmembers or Local Businesses should be able to provide feedback. Hosseini stated that staff would take local business' feedback into consideration. Councilmember Bravo asked if staff had considered using the Scorecard process for more than just low bid contracts. Hosseini stated that since Competitive Sealed Proposals (CSP) were evaluated anyway there was no need for a Scorecard.

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

Aye: Courage, Bravo, Trevino

Absent: Pelaez

Pre-Solicitation High Profile Briefings

- 10. Briefing on the release of a Request for Competitive Sealed Proposal (RFCSP) solicitation for one contract to provide the Public Works Department with construction services for the Hemisfair Civic Park Phase 2 project, a 2022 General Obligation Bond Program project in the estimated total value of \$15,800,000.00.** [Roderick Sanchez, Assistant City Manager; Razi Hosseini, Director, Public Works]

Hosseini presented an overview of the project scope and stated that the project was estimated to cost \$15.8 million and was being procured under a Request for Competitive Sealed Proposals (RCSP). Hosseini described vendor outreach, listed the members of the evaluation committee, evaluation

criteria, and the SBEDA Subcontracting Requirements of 16% Minority/Women Business Enterprise (M/WBE); 2% African American Business Enterprise (AABE). Hosseini provided a timeline for the solicitation.

Chair Courage recommended a six week response time for high profile contracts and requested clarification on the SBEDA points and subcontracting requirements. Small Business Administrator Michael Sindon with the Economic Development Department explained that all vendors were required to meet the subcontracting goals but the points were related to the prime vendor meeting the SBEDA criteria.

No action was required for Item 10.

11. Briefing on the release of a solicitation for up to seven (7) contracts to provide the Public Works Department with On-Call Civil Engineering Services for Street Rehabilitation for the Infrastructure Management Plan (IMP), American Rescue Plan Act (ARPA), and 2022 Bond in the estimated total value of \$9,100,000.00; \$650,000 annually per consultant, for 1 year with 1, 1 year option to renew. [Roderick Sanchez, Assistant City Manager; Razi Hosseini, Director, Public Works]

Hosseini presented an overview of the project scope and stated that the project was estimated to cost \$9.4 million for the two year period and was being procured as a Request for Qualifications (RFQ). Hosseini described vendor outreach, listed the members of the evaluation committee, evaluation criteria, and the SBEDA Subcontracting Requirements of 21% M/WBE. Hosseini provided a timeline for the solicitation.

Chair Courage asked Hosseini to describe the types of projects for which these contracts might be used. Hosseini explained that these were firms that would design small street and drainage projects. Gorzell clarified that up to seven firms would be selected but there could be fewer. Chair Courage requested the average number of vendors that usually submitted qualifications on this type of work. Hosseini stated that he anticipated about a dozen respondents.

No action was required for Item 11.

Post-Solicitation High Profile Briefings

12. Approval to proceed with scheduling two contracts for City Council consideration to provide the Finance Department with Depository Banking and Lock Box Services in an estimated amount of \$1,525,000.00 for three years with one, two-year option to renew. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer, Finance]

Deputy Chief Financial Officer Troy Elliott provided an overview of the Request for Proposals, services being sought, and stated that the estimated value was \$305,000 annually with a proposed three year term with one two-year option. Elliott reported that four proposals were received for Depository Banking and one was deemed non-responsive for failure to meet State statutory requirements. He provided a scoring matrix of the responsive firms. Elliott stated that two proposals were received for Lock Box Services, one was deemed non-responsive, and the evaluation committee determined the responsive vendor was a good value.

Chair Courage requested clarification on the noncompliant vendor and suggested that the statutory requirement might have resulted in higher costs for the City. Gorzell stated that the State made the determination, not the City. Chair Courage asked if a Bank could perform both services. Elliott stated that the recommended vendor for both contracts was the same Bank. Chair Courage supported the staff recommendation.

Citizen Member Trevino noted that the selected vendor was the highest cost, yet determined to be the best value based on other criteria such as experience, background, qualifications, proposed plan, and local preference program.

Chair Courage suggested staff could negotiate a lower fee.

Councilmember Bravo expressed concern that the price was not very competitive and suggested that if 48 vendors were notified, more than three vendors should have been able to propose. Elliott stated that the City had a large volume of financial transactions which might have inhibited some vendors from applying. Gorzell stated that the fee per transaction was slightly less than what the City paid under its current contract.

Chair Courage requested that staff survey some of the larger banks that did not propose and ask them why they did not respond.

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

Aye:	Courage, Bravo, Trevino
Absent:	Pelaez

Final Internal Audit Report

13. Acceptance of the Office of the City Auditor Report AU21-F02 Follow-Up Audit of Finance Vendor Master File [Kevin W. Barthold, City Auditor]

City Auditor Kevin Barthold explained that this was a follow up to determine if the audit recommendations had been successfully implemented. Barthold described the original audit findings and stated that although most corrective actions had been implemented, the policies and procedures remained incomplete and Finance Management had agreed to complete the follow up by March 2023.

Chair Courage asked why the deficiencies were not initially addressed completely. Elliott explained that the audit was completed in March 2020 which was the beginning of the COVID-19 Pandemic and the Emergency Housing Assistance Program presented a massive workload challenge for the Finance team. Elliott assured Chair Courage that new staff had been brought on to correct the issue and third party validation was planned.

Councilmember Bravo asked for a description of a Vendor Master File. Elliott explained that the Vendor Master File contained the name of the vendor, their bank account, address and all other information to ensure payments were made to the correct vendor. Gorzell added that this was a key piece of fraud prevention for the City.

Chair Courage recognized that the pandemic caused major shifts in staffing needs and supported the additional time to correct the issues.

Councilmember Trevino moved to Approve. Councilmember Bravo seconded the motion. The motion carried by the following vote:

Aye: Courage, Bravo, Trevino
Absent: Pelaez

14. Acceptance of the Office of the City Auditor Report AU22-032 Audit of NHSD Minor Repair Program [Kevin W. Barthold, City Auditor]

City Auditor Kevin Barthold described the audit scope and findings noting that there were opportunities to strengthen controls related to project management documentation, inspections, and vendor metrics. Barthold stated that the completion of the recommendations was anticipated in December 2022.

Chair Courage asked if there could have been a financial impact to the City for the lack of oversight. Barthold did not think there was potential for a negative financial impact. Veronica Garcia, Director of Neighborhood & Housing Services Department (NHSD) stated that the department had confidence in the vendor Merced Housing as rehabilitation of homes was a part of the agency's mission but added that documentation was needed to help facilitate challenges encountered by the vendor such as code inspections and permits. Chair Courage supported the projects being permitted and inspected but added the NHSD needed to do their own inspections and contract oversight.

Chair Courage recommended adding more vendors to the list since there was more money and demand for housing rehabilitation services through the Housing Bond and other funding sources. Garcia agreed and stated that NHSD was already outreaching more partners and developing pilots.

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

15. Acceptance of the Office of the City Auditor Report AU22-018 Audit of SAFD Arson Bureau [Kevin W. Barthold, City Auditor]

City Auditor Kevin Barthold explained that this was an audit to determine if the if the operations of the Arson Bureau inventory were managed efficiently and effectively. Barthold stated that there was missing evidence in the evidence room so security cameras needed to be added, policies and procedures were still in draft, and user access to the inventory system was excessive. Barthold recommended development of a formal complaint process and metrics consistent with State and Federal Bureau of Investigations (FBI) calculations and stated that the findings would be addressed by March 2023.

Chair Courage asked what evidence was missing from the evidence room. Chief Hood responded that

the missing evidence was old and should have not been kept anyway but the audit prompted the Department to develop a manual to help utilize the Uniform Crime Reporting in partnership with the San Antonio Police Department.

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

16. Acceptance of the Office of the City Auditor Report AU22-F03 Follow-Up Audit of SAFD Personal Protective Equipment [Kevin W. Barthold, City Auditor]

City Auditor Kevin Barthold explained that this was a follow up to determine if the original audit recommendations had been successfully implemented. Barthold described the original audit findings related to tracking and replacement of Personal Protective Equipment and stated that although most corrective actions had been implemented, mask fittings and breathing air cylinders were not accurately tracked or inspected. Barthold stated that the recommendations would be implemented by January 2023.

Chair Courage asked Chief Hood how the inspections slipped through the cracks. Chief Hood stated that the Texas Commission on Fire Protection annually inspected the equipment and only found 2% issues in October 2022 but stated that the department planned to utilize a new barcode system for the cylinders rather than the manual tracking to ensure all were routinely inspected.

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

17. Acceptance of the Office of the City Auditor Report AU22-010 Audit of WDO Train for Jobs San Antonio Program [Kevin W. Barthold, City Auditor]

City Auditor Barthold provided an overview of the audit of the Train for Jobs Program stating that the objective of the audit was to determine if contract compliance and monitoring was adequate and performance measures were supported. The Audit concluded that program expenditures were reasonable, personal information was protected, and surveys and feedback were solicited from participants.

Barthold noted that there was a lack of documentation supporting the vendor's metrics, six participants were not eligible as they lived outside of the City Limits and some vendors did not maintain required insurance. Barthold stated that the Workforce Development Office had developed a proper corrective action plan.

Chair Courage asked if multiple vendors had the issue with lack of support for the performance measures and serving non-eligible participants. Barthold cited the need for better support rather than a complete lack of supporting documentation. Director of the Workforce Development Office, Michael

Ramsey explained the corrective actions taken included recovery of all expenses for non-eligible participants from the vendor.

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

Aye: Courage, Bravo, Trevino
Absent: Pelaez

Staff Briefing

18. Briefing on the required communication for the FY 2022 External Financial Audit [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Melanie Keeton, Assistant Finance Director provided an overview of the two different types of audits: External Audits by an independent external auditor and Internal Audits performed by the City Auditor. Keeton explained that the External Audit was required by State Statute to be completed annually and stated that the City contracted with the FORVIS audit firm through a three year contract with two 1-year extensions. Keeton introduced the City's Controllor Victoria Roeder who was responsible to develop, review and revise internal controls and fiscal policies and procedures, interpret new Government Accounting Standards Board (GASB) regulations, prepare and consolidate annual financial statements, as well as other oversight.

Amanda Eaves with FORVIS introduced her team and listed the firm's responsibilities which included auditing the City's Annual Comprehensive Financial Report, ensuring compliance with applicable Federal and State Laws including related grant requirements and Single Audit requirements, and adherence to Generally Accepted Accounting Practices (GAAP). Evans stated that the firm would review significant risk areas and another FORVIS staff member, Erica Brown, listed the seven major programs for single audit testing, noted that the firm would perform work to identify errors or fraud and asked the Committee if they had any concerns.

Citizen Member Trevino asked if there were any prior year findings to follow up on. Brown replied that there were no outstanding findings.

Councilmember Bravo requested a description of the work that would be performed. Brown stated that 50% of their work was compliance related. Eaves explained that the External Audit was not a forensic audit and so they did not review all the City's transactions but rather processes or weak controls that could indicate a risk for fraud.

Citizen Member Trevino noted that during an audit, there was a sample taken, and not every transaction was reviewed. Brown added that Gradient Solutions reviewed the City's Vendor Master Data, Human Resources and Purchasing data which resulted in a report that could identify errors.

Councilmember Bravo asked if the audit saved the City any money. Gorzell responded that the External Audit was a review of the City's accounting standards to confirm that our Financial Statements were fairly stated, which improved the City's credit and bond ratings resulting in a lower cost of borrowing. Gorzell also noted that the audit allowed the City to continue to apply for and receive State and Federal Grants.

Councilmember Bravo asked who was auditing the City's procurement practices and recommended best practice review by the external auditors. Barthold stated that the City Auditor's Internal Audits reviewed the procurement processes. Brown noted that procurement was audited within their programs particularly related to Federally Funded contracts. Gorzell further explained that the audit was against the statutory or published process.

Chair Courage recommended Councilmember Bravo meet with the City Auditor and Chief Financial Officer to get more information on the procurement practices.

No action was required for Item 18.

Executive Session

19. Deliberate the following Information Technology Services Department Solaris Server Security audit pursuant to Texas Government Code Section 551.076, deliberation regarding security devices or security audits.

Executive Session was not held.

ADJOURNMENT

There being no further discussion, Chair Courage adjourned the meeting at 12:10 PM.

APPROVED

John Courage, Chair

Debbie Racca-Sittre, City Clerk