

# City of San Antonio



## Minutes

### Audit Committee

#### 2023 – 2025 Council Members

Chair: Phyllis Viagran, District 3

John Courage, District 9 | Marc Whyte, Dist. 10

Citizen Representative Judy Trevino and Philip M. Harris

**Tuesday, September 12, 2023**

**10:00 AM**

**City Hall Complex**

The Audit and Accountability Committee convened a regular meeting in the City Hall Council Briefing Room beginning at 10:02 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*  
Judy Trevino, *Citizen Member*

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

### Approval of Minutes

#### 1. Approval of minutes from the August 8, 2023 Audit Committee Meeting

Councilmember Courage moved to Approve the minutes of the Audit Committee meeting of August 8, 2023. Councilmember Trevino seconded the motion. The motion carried by the following vote:

**Aye:** Viagran, Courage, Trevino

**Absent:** Whyte, Harris

### Public Comments

### CONSENT AGENDA

#### Final Internal Audit Reports

#### 2. Acceptance of the Office of the City Auditor Report AU23-015 Audit of Finance Bonfire Procurement Evaluation System [Kevin W. Barthold, City Auditor]

Councilmember Courage moved to Approve on the Consent Agenda. Citizen Member Trevino

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 AU23-020 Audit of Human Resources Employee Master Data [Kevin W. Barthold, City Auditor].**

Councilmember Courage moved to Approve on the Consent Agenda. Citizen Member Trevino 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 AU22-023 Audit of Innovation Department - Operations [Kevin W. Barthold, City Auditor]**

Councilmember Courage moved to Approve on the Consent Agenda. Citizen Member Trevino 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 AU22-003 Audit of Aviation Parking Operations [Kevin W. Barthold, City Auditor]**

Councilmember Courage moved to Approve on the Consent Agenda. Citizen Member Trevino 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 to provide the Neighborhood and Housing Services Department with an estimated 9 affordable single-family homeownership housing development and affordable multi-family rental housing development projects in need of gap funding with estimated available HOME and CDBG funding of at least \$8,214,248. [Lori Houston, Assistant City Manager; Veronica Garcia, Director, Neighborhood and Housing Services]**

Veronica Garcia, Director of the Neighborhood and Housing Services Department (NHSD), presented background on the solicitation which was to support the priorities approved in the HUD 2022-2026 Consolidated Plan and the FY 2024 Annual Action Plan using the HOME Investment Partnerships Program (HOME) and the Community Development Block Grants (CDBG) funding for two solicitations (one for Multi-family developments and one for

single family homes). She added that shovel-ready projects would be priorities and the estimated value of each Request for Proposals (RFP) were \$4.2 million respectively.

Garcia listed the Evaluation Committee Members and outlined the outreach methods planned to seek respondents. She stated that the evaluation criteria targeted affordability, sustainability and project readiness as well as awarding additional points for non-profits and Veteran-owned small businesses. Garcia noted that Federal Law did not allow local preference or use of the Small Business Economic Development Advocacy (SBEDA) policy. Garcia provided a timeline for the solicitation.

Councilmember Courage clarified that the solicitation was open to both for-profit and non-profit developers. Garcia stated that most developers partnered with non-profits for affordable housing. Councilmember Courage asked whether most projects would seek the 4% low-income housing tax credits for financing. Garcia replied that the tax credits could be used to leverage.

Councilmember Whyte clarified that local preference was not applicable. Garcia confirmed that due to the program being funded through Federal grants, local preference was not allowed.

Chair Viagran spoke in support of the solicitations and wanted to ensure sufficient outreach, particularly to small and local businesses.

**7. Briefing on the release of a solicitation for one contract to provide the Information Technology Services Department with the System Integrator for Human Resources Success Factors portion of the overall SAP Upgrade Program for an estimated value of \$3,500,000 through project completion. [Ben Gorzell Jr., Chief Financial Officer; Craig Hopkins, Chief Information Officer, Information Technology Services]**

Chief Financial Officer Ben Gorzell, requested a presentation and discussion of Items 7 and 8 together as they were related to the SAP Enterprise Resource Management (ERM) System upgrade. Chief Technology Officer Craig Hopkins provided background information on SAP and its use as an Enterprise Resource Program (ERP) for the City of San Antonio. Hopkins explained that the SAP System upgrade entailed bundling multiple efforts and he emphasized the necessity of upgrading the SAP platform. He outlined the goals of enhancing efficiency, user experience and security. In the presentation, Hopkins discussed upcoming solicitations, emphasizing the involvement of specialist integrators for various modules. He also highlighted the engagement of an independent provider for quality and risk analysis. Hopkins discussed the overall program cost and presented key timelines for consideration.

Hopkins stated that the system was near the end of its system life and needed to be upgraded; with the decision made 18 months ago to keep SAP and not seek a new solution, but rather an upgrade. Hopkins provided a timeline for procurement of the program valued at \$26 million in services, \$16 million in contract licenses and \$12 million for software.

Hopkins recommended a competitive bid for technology specialist firms that were experienced in SAP Success Factors Systems integration as well as the independent verification and validation (IV&V). Hopkins outlined the outreach methods, voting members of the evaluation panel, the scoring matrix and the solicitation timeline.

Councilmember Courage confirmed that the ultimate decision was to continue use of SAP and asked if there was any issue with coordination if CPS Energy or SAWS used another ERP System. Hopkins stated that no two configurations were the same so there would be integration even if the other partners used SAP.

Councilmember Courage asked why the firms all scored low as the highest was 58.86 points out of 100. He recommended following up with the firms that did not submit a proposal as only two vendors submitted out of 200 outreached. Gorzell explained that no firms received the 20 SBEDA or preference points. Councilmember Courage recommended a look to the future in developing the license agreements.

Citizen Member Trevino clarified that the second vendor had a lower price but also scored lower. Hopkins agreed that the top ranked firm cost more, but they were much more qualified. Citizen Member Trevino recommended ensuring that the Independent Verification & Validation vendor could not bid on other components of the program as they would be providing oversight.

Councilmember Whyte asked why SAP was chosen and whether it was as flexible as other cloud-based solutions. Hopkins stated that there was a thorough review of the other options and the decision was made to continue use of the SAP suite.

Chair Viagran recommended consideration of the time that it would take for staff to get used to the new system, particularly to ensure that the Human Resources component was user-friendly. She suggested inclusion of benefits in the scope so that employees would have one place to go for all their financial questions. Chair Viagran asked how the implementation would impact operations of the City. Hopkins stated that the IV&V vendor would help with continuity. Gorzell clarified that the IV&V vendor would assist, procure, design and manage the solution so they would ensure continuity.

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

- 8. Approval to proceed with scheduling one contract for City Council consideration to provide the Information Technology Services Department with Independent Verification and Validation Services for an estimated value of \$6,800,000 for a three-year term, with two, one year renewal options.** [Ben Gorzell Jr., Chief Financial Officer; Craig Hopkins, Chief Information Officer, Information Technology Services Department]

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

Items Number 7 and 8 were presented together. Please refer to Item Number 7.

- 9. Approval to proceed with scheduling one contract for City Council consideration to provide the Office of Sustainability with an On-Site Municipal Solar provider with an estimated initial value of \$30,000,000 for a 25 year term.** [David W. McCary, Assistant City Manager; Douglas Melnick, Director, Office of Sustainability]

Doug Melnick, Chief Sustainability Officer provided an overview of the Item and process which was intended to produce energy savings which was timely since this summer was very hot and the program added to the resiliency of the energy grid.

Golda Obinzu, Energy Manager with the Office of Sustainability provided background information on the solicitation which included a Request for Proposal (RFP) for a qualified solar provider to design, engineer, build, operate, maintain and decommission on site solar energy production on 42 City facilities. Obinzu described a simple layout of on-site solar which would allow the facility to use its own generated power on sunny days, but when the sun was not shining, electricity would still come from CPS Energy.

Obinzu explained that the sites were assessed for appropriateness by staff and a consultant which considered the size, shape and ability to receive sunshine for each rooftop. Obinzu stated that the RFP was a two-phase process which included an initial scoring of four vendors, then two vendors were requested to submit a best and final offer. Obinzu reported that one vendor offered a lease option and the other offered a purchase option. Obinzu recommended the purchase option as the best value for the City.

Chair Viagran opened the discussion by noting that the Item had previously been considered by the Committee under pre-solicitation and therefore, she looked forward to addressing questions from fellow Committee Members regarding post-solicitation.

Citizen Member Trevino asked if the vendors changed their options for leases versus purchase between the first and second phases. Deputy Chief Financial Officer Troy Elliott explained that the first phase was a scoring of capabilities, the best and final offer phase was the time the respondents provided a proposal for the 42 sites and putting solar on top of the buildings or carports at those locations.

Councilmember Courage hoped that the Council District 9 and 10 senior centers had been selected as one of the sites. Melnick stated that the plan was to maximize the use of current assets and committed that staff would go back and review those two sites. Councilmember Courage asked how many years during this whole process would the implementation take and if the proposed solar carports existed or would need to be built. Melnick stated that it was a two-year buildout and commented that the main factor was facility energy demand with some new carports being built as needed.

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

## **Staff Briefing**

### **10. Status update of outstanding management action plans for prior audit recommendations [Kevin W. Barthold, City Auditor].**

City Auditor Kevin Barthold provided background on the Item noting that over a year ago the Office of the City Auditor began bringing back results of management recommendations and responses to the Committee every four or five months. He reported that the Office issued audit reports with recommendations and corrective action plans, ensuring that effective implementation and verification was performed individually or through a full reaudit. He noted that for significant matters, they audited the entire process again. He added that after the target date, the Auditors would verify completion with management and note exceptions or pending verifications.

In this report, Barthold looked at 49 recommendations in which 36 were completed, 8 were on schedule and five were behind schedule. He stated that they verified 33 as effectively implemented and three were pending verifications. He noted that the report revealed good progress with no red flags. Barthold stated that the Office would continue to follow up on processes that were behind schedule to ensure progress. Overall, Barthold viewed the results positively and welcomed any questions.

Chair Viagran suggested a briefing on the corrective action plans that were behind schedule. Barthold explained that those that were not addressed would continue to stay on the list.

Councilmember Courage expressed concern regarding those not making a good faith effort or extremely behind schedule with their corrective actions. Barthold explained that the departments were all making a good faith effort but there had been extenuating circumstances on most of those that were behind. Councilmember Courage asked for the departments to provide a new date. City Attorney Andy Segovia recommended that all follow-up should go through the Office of the City Auditor. Barthold stated that he would follow up on new target dates and provide them to the Committee.

### **11. Required Communication with Fiscal Year 2023 External Independent Audit [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]**

Deputy Chief Financial Officer Troy Elliott explained that there were several times that communication was required for external audits and introduced Assistant Finance Director Melanie Keeton who described the difference between an external and internal audit. Keeton listed the City's responsibilities as follows: develop, review and revise internal controls and fiscal policies and procedures; interpret and implement new 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; prepare the Airport's Passenger Facility Charges (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; creation of supporting schedules and documents for auditor testing; and coordination with departments to answer auditor follow-up requests.

Keeton stated that the City was in the second year of the three-year external audit contract with FORVIS and noted that the contract had two separate one-year extensions available. Keeton introduced Amanda Eaves, Certified Public Accountant (CPA) and partner in FORVIS, the contracted external audit firm.

Eaves provided an overview of the External Audit Plan and introduced members of the Audit Team. Eaves explained that FORVIS would be responsible to audit the City's Annual Comprehensive Financial Report and evaluate compliance with specified requirements applicable to its major Federal and State award programs. She indicated that the FORVIS' audit would be 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).

Eaves stated that the firm would obtain reasonable rather than absolute assurance about whether the financial statements were free of material misstatement, whether caused by error or fraud. Eaves provided a timeline for the external audit.

Chair Viagran thanked the external Auditors for their work and noted that she looked forward to working with them. She noted that cyber security was a major concern.

Councilmember Courage clarified that FORVIS had merged with the firm that previously audited the City and commented that there were members of the team that worked previously on the City of San Antonio's external audit.

City Attorney Segovia reminded the Committee that if there were any concerns regarding fraud, to ensure that the Office of the City Attorney was notified.

## **Final Internal Audit Report**

### **12. Acceptance of the Office of the City Auditor Report AU21-013 Audit of Finance Accounts Receivable [Kevin W. Barthold, City Auditor]**

Audit Manager Buddy Vargas provided a report of the findings of the audit noting that the objective of the audit was to determine if accounts receivable were properly reported and managed, including collections and bad debt allowances. He stated that the overall audit conclusion was that accounts receivable were not properly managed. Vargas stated that there were effective procedures for journal entries and refunds were properly supported and authorized.

Vargas noted positive outcomes included thorough checks on refunds but identified areas for improvement encompassing the customer master file's lack of documentation for account creation and modification. He noted that collection efforts for past-due accounts were untimely with insufficient documentation. He reported that inconsistencies were noted in the calculation of the allowance for accounts, along with outdated policies. Vargas stated that excessive user access was a concern.

Vargas mentioned one management response with an estimated completion date of January 2024 as Finance Department management had acknowledged the recommendations and proposed correction plans. Vargas reported that a follow-up audit would be conducted after corrective actions were implemented in January 2024.

Councilmember Courage articulated concerns regarding the extensive number of findings in the city-wide audit and sought clarification on the underlying reasons for the prevalent issues. Gorzell provided an explanation, citing inconsistencies in the systems and processes governing documentation throughout the City.

Elliott underscored that multiple departments were tasked with managing accounts receivables, resulting in challenges during the audit to promptly gather requisite supporting documentation. Consequently, it was emphasized that establishing standardized protocols, delineated in the Corrective Action Plan, was imperative. Elliott further highlighted the discrepancy between existing accounting policies and actual practices concerning uncollectable accounts, underscoring the necessity for a comprehensive update of all accounts receivable policies. He added that the anticipated completion of this update was communicated to be January 2024.

Additionally, Councilmember Courage expressed interest in identifying the departments encountering the most significant challenges. He cautioned against formulating procedures that staff might not adhere to effectively.

Citizen Member Trevino recommended developing a repository within SAP to collect and maintain the backup documentation.

Chair Viagran thanked the Audit Committee for their comments and detailed recommendations.

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

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

**Absent:** Harris

**13. Acceptance of the Office of the City Auditor Report AU23-013 Audit of Finance Citywide Cash Receipts [Kevin W. Barthold, City Auditor]**

Vargas concluded that citywide cash receipts were compliant with City policies. He reported that approximately 50 locations handled cash at the time, including major



collections like at the Bitters Brush, Municipal Court, Metro Health, and the Alamo box office. Vargas noted that there was a historical goal to reduce cash holdings and eliminate petty cash funds for risk reduction. He noted that the Audit Team examined nine departments with ten cash handling locations, finding policy alignment with finance directives, appropriate procedures and comprehensive policies. Vargas reported that physical and system access were suitable and staff training was current. He added that there were no findings or recommendations identified.

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

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

**14. Acceptance of the Office of the City Auditor Report AU22-029 Audit of Innovation and ITSD Connected Beyond the Classroom Initiative [Kevin W. Barthold, City Auditor].**

City Auditor Kevin Barthold provided background and overview of the audit which concluded that the City departments did a good job on their portion, but the school districts did not effectively implement the Initiative including Edgewood School District which had not distributed any Wi-Fi Router devices that had been purchased by the City.

Chair Viagran expressed disappointment with the inaction by the school districts and called for more collaboration.

Councilmember Courage asked how much money the City committed to the Initiative. Bartold stated that \$17 million was committed to the Initiative to include infrastructure such as monopoles but the routers that were not distributed by the schools were a small fraction of the cost and they were distributed two years ago with a five-year license. Councilmember Courage recommended more follow-up with the school districts and perhaps giving the equipment to other school districts if these were not going to use them.

Councilmember Whyte requested clarification on the cost of the Initiative. Hopkins stated that the Initiative was implemented early during the COVID 19 Pandemic and these three school districts stated that they needed the help so the plan was to extend the school's network from the school into the neighborhood by installing monopoles that would connect to a router that the school would distribute to its students for use at home. Hopkins explained that the infrastructure was a sunk cost, and the use of the system was the ongoing cost that could be reduced, however, that was a school district cost. Councilmember Whyte expressed disappointment with the outcomes.

Gorzell stated that staff would circle back to provide an outcome of follow-up staff meetings with the school districts.

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

**Consideration of items for future meetings**

Next Scheduled Meeting Date: October 10, 2023

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 11:40 a.m.

**Approved**

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*Phyllis Viagran, Chair*

*Debbie Racca-Sittre, City Clerk*