



**Financial and Audit Oversight Committee (“FAOC”)  
Meeting Action Report**

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**Committee:** Financial and Audit Oversight Committee (“FAOC”)

**Members:** Representative Courtney Niland (Chair)  
Representative Carl Robinson  
Representative Emma Acosta  
Representative Peter Svarzbein (arrived @ 9:07 am)

**Non-Members:** Dr. Mark Sutter, Chief Financial Officer  
Don Minton, Assistant City Attorney

**Staff Assignee:** Edmundo S. Calderon – Chief Internal Auditor

**Meeting Date/Time:** Monday, April 25, 2016 – 9:05 A.M.

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**1. Call to order and introductions.**

The meeting was called to order at approximately 9:05 A.M. MST.  
It was determined that there was a quorum.

**2. Approval of Minutes for the Financial and Audit Oversight Committee meeting of March 23, 2016. [Internal Audit, Edmundo Calderon, (915) 212-1365]**

Motion made by Representative Robinson, seconded by Representative Acosta and unanimously carried to approve the minutes for the Financial and Audit Oversight Committee (“FAOC”) Meeting of March 23, 2016.

**AYES:** Representative Niland, Representative Acosta, Representative Svarzbein and Representative Robinson

**NAYS:** None

**ABSTAIN:** None

**ABSENT:** None

**3. Discussion of the FY15 Audit Results – Financial Audit and Grants Audit [Office of the Comptroller, Pat Degman, (915) 212-1170]**

David Coleman with BKD was present to discuss the FY15 Audit Results. Mr. Coleman discussed issues within the audit and addressed questions by the FAOC Committee. Dr. Mark Sutter, Chief Financial Officer was also present to address questions. In regards to the

Housing and Inspections finding, Mr. Coleman stated that this finding was a severe finding. Veronica Soto, Director of Community Development was present to address questions. Ms. Soto stated that everything that was identified in the audit has been completed, she will be asking for next year's budget for a project compliance specialist and addressing long term leave employees. Ms. Soto advised Representative Acosta that they are also looking into an automation system.

Representative Niland went on to inquire about the retiree insurance and the unfunded liability. Dr. Sutter stated that since a new statement will be coming out in 2019 the City will be looking at a policy adoption in whether to formalize support for retirees and participation insurance or not. Dr. Sutter stated that it will be discussed in a future LRC or FAOC Meeting. Representative Niland recommended providing bullet points or highlights at the end of each presentation to help them in relaying the information to their colleagues. Mr. Calderon stated that they can provide it for the report out to council.

Pat Degman, Comptroller, continued with presentation. Ms. Degman stated that there were no financial findings on the audit which is quite an accomplishment. Ms. Degman went on to discuss the corrective action plan on the grants audit. Representative Niland inquired on why the department is having difficulty keeping people. Ms. Degman stated that it is due to competitive salaries and they are currently working with the Human Resources Department to address this. Representative Acosta inquired about when anticipating or when receiving funds from the government, is the City setting them up as an accounts receivable. Ms. Degman stated that they are working with the departments to consolidate those that work with grants into one department to maintain the grants. Representative Acosta inquired if the TxDOT department was being treated as a grant. Ms. Degman stated that they are not stepping into TxDOT and that by having the accounting and reporting in the office of the comptroller will provide a good balance. Representative Acosta wanted to know when this will be implementing. Dr. Sutter stated that he anticipates it over the next year. Representative Acosta wanted to know how the City is tracking the billing for TxDOT. Ms. Degman stated that there are steering committee meetings to address this and there is a process that goes on in the grant funds to help identify if there is a grant in trouble. Ms. Degman also stated that in FY17 a new process has been set up to record grant match so the grant match will be very obvious to the accountants if there is a problem. Dr. Sutter suggested that they would provide a report on the TxDOT account receivables, grants, the match and process for the next FAOC Committee Meeting.

No action was taken on this item.

#### **4. Discussion on Pension Funds. [Office of the Comptroller, Pat Degman, (915) 212-1170]**

Pat Degman, Comptroller, was present to discuss this item. Ms. Degman went over the new reporting requirements for the Employee Pension Fund, the Police and Fire Pension Funds and the El Paso Water Utilities. Ms. Degman went on to explain the obligations for each fund. Representative Niland inquired about auditing the Police and Fire Pension fund and stated that now that the City is carrying this liability on its books has that sentiment changed. Mr. Calderon stated that in the past he's extended an offer to the City Employee's Pension Fund and they welcome it but the Police and Fire Pension fund has not welcomed it. Representative Niland would like to open up the discussion again. Mr. Calderon stated that we can extend the invitation again to the head of the pension funds and he would provide FAOC Committee an update. Representative Acosta inquired about employees being paid

through a grant and if their pension portion is also paid by the grant or the general fund. Ms. Degman stated that some grants do recognize that as a qualified cost on the grants and others do not. Dr. Sutter stated that most grants do not cover contributions to pensions but those that do are covered by the time period of the grant and then it is covered by the general fund. Representative Niland stated that she would like for the City to keep their ear to the ground and see what develops out of this and for new information and education on these processes. Dr. Sutter stated that we should add this to an update list and bring back 6 months from now.

**5. Discussion on Audit Plan Updates. [Internal Audit, Edmundo Calderon, (915) 212-1365]**

Mr. Edmundo Calderon, Chief Internal Auditor, went over the completed audits, pending audits, projects, training sessions completed, community service and hours for the 2<sup>nd</sup> Quarter of fiscal year 2016. Representative Niland requested for Mr. Cary Westin to provide regular updates on the Economic Development 380 Agreements. Mr. Calderon stated that on next year's audit plan, he will be including a follow up audit in regards to the 380 agreements. Mr. Calderon continued on further reviewing the updates.

No action was taken on this item.

**6. Discussion on Client Surveys. [Internal Audit, Edmundo Calderon, (915) 212-1365]**

Mr. Calderon provided a brief summary and the process on the surveys. Mr. Calderon then proceeded to discuss the results received as well as provided the 2<sup>nd</sup> quarter data.

No action was taken on this item.

**7. Discussion and Update on the Street Light Installation on Country Club Road. [Engineering Department, Geoffrey Espineli, (915) 212-1836]**

Geoffrey Espineli, Project Manager with Capital Improvements Program was present to discuss this item. Mr. Espineli went over the dates and activities that went through the design phase. There was no presentation provided for this item so it was postponed until copies were obtained. This item was resumed after completion of Item 8. Mr. Espineli continued reviewing the timeline. Representative Niland inquired about the Dark Sky Compliance Ordinance and why lights from a downtown project were used in a residential project. Mr. Espineli stated that the lights have shields that make them dark sky compliant. Representative Niland wanted to know why a company would be making recommendations to us instead of us putting it out for bid what the specifications are. Mr. Espineli stated that they have to start from something and since the lights were hyalophane lights then they just get engineering information from them but when the scope is developed or the specifications, they don't put their brand in there. Representative Niland stated that if that company is providing the specifications then they can easily write the spec to where they easily qualify and if that's the case the City is not always getting the best price. Representative Niland also expressed her concern on having a conversation with a vendor before putting out to bid and would like for this matter to be investigated due to the company being allowed to bid on the project after providing specifications for this project. Representative Niland stated that the company should've been excluded from the bidding process. Representative Acosta inquired if this bid was submitted through the Purchasing and Strategic Sourcing Department and Mr. Espineli stated that at the time it was done through the Engineering Department. Representative Niland requested to go into Executive Session to further discuss this item.

Motion made by Representative Niland, seconded by Representative Acosta and unanimously carried to enter into Executive Session to further discuss.

AYES: Representative Niland, Representative Acosta and Representative Robinson  
NAYS: None  
ABSTAIN: None  
ABSENT: Representative Svarzbein

The FAOC Committee entered into Executive Session at approximately 11:35 am and returned at 11:50 am.

Motion made by Representative Robinson, seconded by Representative Niland and unanimously carried to move out of Executive Session.

AYES: Representative Niland, Representative Acosta and Representative Robinson  
NAYS: None  
ABSTAIN: None  
ABSENT: Representative Svarzbein

Motion made by Representative Acosta, seconded by Representative Robinson and unanimously carried for the City Manager to direct City Attorney and Internal Audit to coordinate an investigation on the Street Light Installation on Country Club Road.

AYES: Representative Niland, Representative Acosta and Representative Robinson  
NAYS: None  
ABSTAIN: None  
ABSENT: Representative Svarzbein

**8. Discussion and update on 2% for the Arts Allocation. [MCAD, Tracey Jerome, (915) 212-1783]**

Ms. Tracey Jerome, Director of Museums and Cultural Affairs, was present for this item. Ms. Jerome went over the Museum's vision, mission, goals, sources of funding, roles and responsibilities, City Council Representatives, Advisory Board, PAC Composition, Public Art Committee, Artist Selection Panels, Solicitation Methods, and Selection Process, Public Art Overview, and Financial Report. Representative Acosta inquired about how the monitoring process is followed. Ms. Jerome stated that when a contract is executed, a check list is followed so that there is a quality control process all the way through. Ms. Jerome stated that the contracts are much more specific and focused to follow best practices. Representative Acosta stated that there needs to be a constant in the language of the contract in regards to the inspection. Dr. Sutter elaborated further on the contract process and reservation of funds. Representative Svarzbein inquired about the 2% for the Arts and how it's used. Ms. Jerome stated that sometimes money is pulled within that 2% for art projects. Dr. Sutter also went on to elaborate on this question. Ms. Pat Degman provided the financial report. Mr. Ben Fyffe, Assistant Director of Museums and Cultural Affairs was present to address the Artist Incubator Program and stated it is funded primarily through the Hotel Occupancy Tax and this year it is also funded matched dollar for dollar by the National Endowment for the Arts. Representative Svarzbein left shortly after this item.

No action was taken on this item.

## **9. Adjournment**

A motion to adjourn was made by Representative Courtney Niland. The motion was seconded by Representative Emma Acosta.

Meeting adjourned at approximately at 12:11 P.M MST.

**Submitted by:**

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**Representative Niland  
Chair, Financial and Audit Oversight Committee**

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**Edmundo S. Calderon – Chief Internal Auditor,  
Internal Audit Office**