



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

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

Members: Representative Susie Byrd (Chair)
Representative Emma Acosta
Representative Steve Ortega
Representative Eddie Holguin Jr. (Not Present)

Non-Members: Joyce Wilson, City Manager
Dr. Mark Sutter, City Comptroller

Staff Assignee: Edmundo S. Calderon – Chief Internal Auditor

Meeting Date/Time: Thursday, May 23, 2013 – 10:09 A.M.

1. Call to order and introductions.

Representative Susie Byrd called the meeting to order at approximately at 10:09 A.M. MST. It was determined that there was a quorum.

2. Approval of Minutes for the Financial and Audit Oversight Committee meeting of January 30, 2013. [Internal Audit, Edmundo Calderon, (915) 541-4402]

Representative Byrd made a motion to approve the minutes for the Financial and Audit Oversight Committee (“FAOC”) Meeting of January 30, 2013. Representative Ortega seconded the motion. Motion passed unanimously.

3. Audit Plan Update. [Internal Audit, Edmundo Calderon, (915) 541-4402]

Summary:

Mr. Edmundo Calderon, Chief Internal Auditor, presented details on the requested follow-up of the cancelation of the Federal Janitorial contract. Mr. Calderon reported that the Parks and Recreation Department, Purchasing Department and City Attorney’s Office were working together to terminate the contract and award the contract to a new vendor. City Council should expect to see a new contract soon.

Mr. Calderon presented an update on the request for a management audit of the Police and Fire Pension Fund. The Internal Audit Office offered their services to conduct an audit. The offer was presented by Ms. Carmen Arrieta-Candelaria, CFO to the Police and Fire Pension Fund Board. The Pension Fund Board declined the offer.

Mr. Edmundo Calderon introduced and explained the 2nd Quarter Update of the Annual Audit Plan. Highlights of the second quarter, as of February 28, 2013 include:

- Completed – 3 audits/follow ups and 4 projects
- Currently in progress – 4 audits and 8 projects
- 12 training sessions conducted
- Contingency hours used – 1,148 (765 budgeted)
- Total hours used – 7,697.5 (7,280 budgeted for the first two quarters)
- Rescheduling of current audit plan needed

Representative Susie Byrd requested information about the General Services Department Janitorial Contract Review. Mr. Calderon explained that Joyce Wilson, City Manager had requested the review. The contract had expired and was sent out for bid. The solicitations received were deemed unacceptable by General Services Department Management. Management decided to rebid and changed the criteria from being a Best Value Solicitation to Low Bid. In doing so, Mr. Calderon explained that the General Services Management violated their authority.

Representative Byrd expressed concern over what seemed to be a trend with the General Services Department. Representative Emma Acosta questioned the processes for bids and rebids and requested that the Annual Audit Plan be adjusted to make room for an audit of the Purchasing Department. Representative Byrd named the General Services Department as a specific department to be audited because of an apparent history of changing bid criteria.

Joyce Wilson, City Manager, explained that the bid was awarded for all but the General Services Department portion. Ms. Wilson explained that the department manager and purchasing official were formally reprimanded but would not discuss the details of the reprimand publicly. She continued by adding that an adjustment to the 4th Quarter Annual Audit Plan could be made to include a project that would focus on the General Services Department purchasing. Moving forward, any violations to the standards/processes approved by council would be brought to the full council's attention, publicly.

Representative Acosta questioned whether the recently purchased and implemented software, PeopleSoft, has the capabilities to reconcile and track invoices, revenue, etc. Dr. Mark Sutter, Comptroller, addressed Representative Acosta and assured her that PeopleSoft does have the capabilities to track and reconcile accounts.

Mr. Edmundo Calderon introduced and explained the 3rd Quarter Update to the Annual Audit Plan. Highlights of the third quarter include:

- Completed – 2 audits and 5 projects
- In progress – 4 audits and 1 project
- Pending – Audit of Environmental Services Department purchases and the Information Technology Department

Representative Acosta introduced the next item, police overtime, for discussion. She inquired about the monitoring process for police overtime. Mr. Calderon explained there are multiple levels of review. A special quarterly report is generated by the Internal Audit Office identifying the top 25 overtime earners. The report is provided quarterly to the Police Department Chiefs and the Deputy City Manager, Mr. David Almonte for review.

Representative Byrd questioned the validity of the review process if no action is taken to avoid violations of overtime policy. City Manager, Joyce Wilson, requested that moving forward, department representatives be present to answer questions on behalf of the department. She then presented examples/explanations for exceeding overtime policy, as well as consequences of violations.

Representative Acosta questioned if a written policy for overtime exists and requested a copy. Ms. Wilson assured Representative Acosta a written policy does exist and copies would be provided to the committee.

Representative Byrd inquired if payment could be denied to those violating overtime policies. Ms. Wilson explained once the hours have been worked and payment has been earned, the City of El Paso cannot refuse payment. Ms. Wilson explained that best practice would be to deny overtime in one period if overtime was exceeded in the prior period.

Representative Byrd questioned if grant overtime was reported in the quarterly overtime reports. Mr. Calderon provided examples of criteria used to generate the overtime reports, which included grant overtime. Ms. Wilson continued to explain that the overtime policy is primarily in place to protect the health and safety of police officers on the streets. Ms. Wilson assured the committee that all the policies and procedures governing overtime would be provided along with a memo from the Chief of Police outlining how overtime is monitored and actions taken when overtime is exceeded.

4. Discussion and Action on conducting an audit on the system and mechanism utilized in recording actual checks received for specific projects and recording actual expenditures in the month in which they occur and the ability to provide accurate and complete information. [Representative Emma Acosta, (915) 541-4515]

Summary:

Representative Acosta presented a slideshow detailing issues she and her staff experienced when requesting the account balance for her Movies in the Park events. Representative Acosta expressed concern over the difficulty in receiving an accurate account balance and questioned whether processes for managing donations for specific events existed.

Dr. Mark Sutter, Comptroller, presented financial details about funds for Movies in the Park including a list of donors, amounts donated, and expenditures by event and type. Dr. Sutter also presented program issues and the recommendations presented to the City Manager to avoid future issues. Dr. Sutter explained that the Financial Services Department is working with the Museums and Cultural Affairs Department to redefine fund structures to better track specific events and programs. The fund restructuring is expected to be implemented by the end of June 2013.

Ms. Wilson explained the current processes, the issues that arose from the conversion of an older version of PeopleSoft Financials to the current version, and the actions being taken to avoid future issues. Representative Acosta informed Ms. Wilson that her staff would manage the funds internally this year. Ms. Wilson stated that Financial Services would work with Representative Acosta's office to set up the proper accounts to help manage the funds.

An audit would not be necessary but Representative Acosta requested that an item be added to the next FAOC agenda to follow up with the implementation of the new progress.

5. Discussion and Action on replacing the Sun Metro Purchasing Audit with the Sun Metro/MV Transportation Data Review Audit. [Representative Emma Acosta, (915) 541-4515]

Summary:

Representative Emma Acosta expressed concern over data changes from previously presented Sun Metro reports. City Manager, Joyce Wilson explained that the data was not changed and no errors were made. The data originally presented included information about taxis and other supplementary services. The report that appeared to be revised did not include the taxi and supplementary services to make it easier to compare only Sun Metro data. Ms. Wilson welcomed the Internal Audit Office to review the methodology used to extrapolate the data. If the Internal Audit Office does not agree that the methodology used, adjustments can be made.

Representative Susie Byrd questioned why reports do not reflect what she has heard is a below base line service provided by MV Transportation. Ms. Wilson explained that MV Transportation has performance metrics that, if not met, result in defaulting on their contract. Months when performance is below base line, they bring in additional resources to address deficiencies.

Representative Byrd and Representative Acosta agreed a full audit is not necessary but would like the Internal Audit Office to review the data collected and how it is reported. Mr. Calderon stated that a review would be conducted on the most recent Mass Transit Board report. If any issues are discovered, the scope will be expanded. Mr. Calderon stated that this review will replace the Sun Metro Purchasing Audit scheduled in the Annual Audit Plan.

6. Adjournment

A motion to adjourn was made by Representative Steve Ortega. The motion was seconded by Representative Emma Acosta.

Meeting adjourned at approximately at 11:32 A.M MST.

Submitted by:

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

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