THE STATE OF TEXAS §
CITY OF BROWNSVILLE §
COUNTY OF CAMERON §

MINUTES of a **Regular Meeting** of the Audit and Oversight Committee of the City of Brownsville, Texas, held on **Friday, November 3, 2023,** at **12:25 P.M.,** with the following members present in person at City Hall, 4th Floor, Meeting Room, located at 1001 East Elizabeth, Brownsville, Cameron County, Texas, 78520 or **via Webex Teleconference Meeting by logging on at:**

https://brownsvilletx.webex.com/brownsvilletx/j.php?MTID=m21b626bf23552f61300bff0467a67b6c
Meeting number: 2534 798 8187
Password: audit (28348 from video systems)
Access code: 253 479 88187

COMMISSIONERS/COMMITTEE MEMBERS PRESENT:

MAYOR **JOHN F. COWEN, JR.**	)	**CHAIR**
COMMISSIONER **ROY DE LOS SANTOS**	)	**COMMITTEE MEMBER**
COMMISSIONER **ROSE M. Z. GOWEN** (VIRTUAL)	)	**COMMITTEE MEMBER**
GERARDO GARCIA	)	**COMMITTEE MEMBER**
FRANCISCO J. OROZCO	)	**COMMITTEE MEMBER**

OTHERS PRESENT:

KEILAH FOLKERTSMA (VIRTURAL)	)	**CITY AUDITOR**
DANIELA G. GONZALEZ	)	**ASSISTANT CITY AUDITOR**
JENNIFER AVENDAÑO	)	**FIRST ASSISTANT CITY ATTORNEY**
LAURA MARTINEZ	)	**CMO EXECUTIVE ASSISTANT**

ABSENT:

NONE.

1. CALL TO ORDER

A quorum being present, Ms. Daniela G. Gonzalez, Assistant City Auditor, read the call to consider the following matters as posted and filed for the record in The Office of the City Secretary on October 30, 2023. The meeting was called to order at 12:25 p.m. by Mayor John F. Cowen, Jr., Chair.

2. PUBLIC COMMENT PERIOD

No public comment.

3. EXECUTIVE SESSION

A. Closed Session pursuant to Tex. Gov't. Code Sections 551.071 (Consultation with Attorney) and 551.074 (Personnel Deliberation) regarding the City Auditor.

Motioned by Chair, Mayor John F. Cowen, seconded by Commissioner Rose Gowen, and carried unanimously.

Executive Session commenced at 12:26 p.m.

A motion to re-enter was made by Chair, Mayor John F. Cowen, seconded by Commissioner Roy De los Santos, and carried unanimously.

Regular meeting reconvened at 1:54 p.m.

4. POSSIBLE ACTION ON ANY ITEM(S) AS DISCUSSED IN EXECUTIVE SESSION

A. Consider and take ANY NECESSARY ACTION, if any, regarding the City Auditor.

Francisco Orozco motioned to proceed as discussed in Executive Session, seconded by Commissioner De los Santos, and carried unanimously.

5. WORK SESSION(S)

A. Discussion and review of the Audit and Oversight Committee Bylaws. (Tabled from October 6, 2023)

Jennifer Avendaño suggested continuing to table this item. No action was taken.

6. ITEM(S) FOR INDIVIDUAL CONSIDERATION, DISCUSSION AND POSSIBLE ACTION

A. Approval of the Minutes for the following Audit and Oversight Committee meeting:

1. October 6, 2023, Regular Meeting

Commissioner De los Santos motioned to approve, Francisco Orozco second the motion, and carried unanimously.

B. Consider and take ACTION, if any, on the Audit and Oversight Committee Bylaws.

No action was taken due to item 5A being tabled.

C. Consider and take ACTION to approve the Office of the City Auditor Annual Report for FY 2023, and the recommended Annual Audit Plan for FY 2024.

Chair, Mayor Cowen inquired if a presentation is available on this item. Keilah Folkertsma stated that the presentation occurred in the previous meeting.

Francisco Orozco motioned to approve item C, Commissioner De los Santos second the motion, and carried unanimously.

D. City Auditor's Office update on:

1. *New Deputy City Auditor onboarding*

On Monday, the Office of the City Auditor will welcome Luis Gerardo Salinas, November 6, 2023. Mr. Salinas is pursuing a CPA and will be a great addition to the team. He also was previously employed by the City of Brownsville.

2. *Adopted budget*

Keilah Folkertsma, the Office of the City Auditor shared she will be meeting with staff from Finance and City Manager's Office on Monday at 3:30 p.m. 2nd Floor in City Hall to discuss why Finance did not enter the Office of the City Auditor's requested budget under department entry or notify the department in a timely manner.

3. *Ongoing audit(s)*

Brownsville Community Improvement Corporation (BCIC) audit is in the fieldwork phase. Office of the City Auditor are currently reviewing and comparing the different types of grants and loans, including sub-types and the vetting of candidates. We are looking into nine (9) or ten (10) instance of related party grants to determine violation of statutes and whether requirements of the Texas Local Government Code and Chapter 38 Code of Ethics requirements are fulfilled by the current reporting of conflicts of interest to BCIC only and to the City Secretary. The Office of City Auditor intends to look at all the individual areas.

Several BCIC Board members have not filed Personal Financial Statements required by both Texas Local Government Code and Chapter 38 Code of Ethics. Several instances were found lacking the posting of minutes on the website, but BCIC personnel provided the minutes upon request from the City Auditor and updated the web postings when transparency was discussed. The Office of City Auditor is continuing to build tests and ensure that everything is as it should be. We are continuing with reviewing the minutes and still reviewing the vetting process.

4. *Follow-up audit(s)*

On the Review of Land Acquisition for Greater Brownsville Incentives Corporation (GBIC), we are still pending receiving documentation to display that the checklist was being utilized as stated by GBIC. Chair, Mayor John F. Cowen, Jr., requested the summary from Keilah Folkertsma so he could follow-up on his end. Ms. Folkertsma mentioned that Mr. Jerry Briones from GBIC would be following up as well.

There were three (3) follow-ups for the Financial Disclosure and Ethics Review, so it was recommended to focus on the compliance with Mandatory Ethics Training after the due date, which was November 10th changed from October 31st, but November 10th is a holiday, thus, November 11th was suggested. There was fifty-nine (59) percent compliance, but Organizational Development and Human Resources (OD&HR) have been in discussions with Directors on increasing employee involvement, along with a City Manager e-mail encouraging everyone to comply, which should warrant great results at or above ninety percent (90%).

Regarding the Personal Financial Statements/Disclosures, the goal discussed with City Secretary is to look after May 31st and these can be reviews, as opposed to audits which should warrant quick results to review if compliance has improved there. Documentation has been requested for review in the following open items past expected completion dates (ECD's) of September 30, 2023.

Information has been requested on the remaining four (4) follow-up audit items. We said we will accept responses by e-mail, although some people have provided exhibits. Responses are pending on these four (4) items: *2020-02-F-03 Petty Cash and Change Fund, 2021-02-F-03 Controlled Asset Inventory, 2021-04-F-03 City's Call Center, and 2021-05-F-03 Procurement (P-Card).*

Last month's meeting graph was presented displaying how many items remain open, including the commencing of follow-up on the 7 recommendations to GBIC in the Compliance Audit (2023-S-01-F-01) due after December 31, 2023.

5. *Other items of interest related to the Office of the City Auditor*

There is no progress on the move to 1045 E. Washington Street but were informed of flooding issues being present. Communication with Internal Services will continue. Internal Services ensured that repair would be possible where no prior damage would be noticeable.

At the last Town Hall, fraud reporting information discussed with Communications and Marketing was presented and shared with all City Employees.

The Office of the City Auditor looks forward to having the new Deputy City Auditor, Mr. Salinas, join the team and we will ensure we get him up to speed with all the training requirements and all ongoing projects.

Conclusion/Questions?

Chair, Mayor John F. Cowen, Jr., inquired about the BCIC audit, requested elaboration on potential related-party issues – the different type of relationships that were discussed.

Keilah Folkertsma replied that primarily cases were noticed where Board Members were abstaining from voting when an issue was voted on involving their company or that of a family member who was applying for a grant, but there was no information on whether other requirements of the law were being followed. One instance was found in which a loan was given to a former Board Member/City Official and an opinion was found by the Attorney General stating that type of loan was not allowed, further stating that the grant issue wasn't fully addressed. In reviewing the documentation, each abstain was documented dating as far back as 2019, findings indicated at least three (3) conflicts of interest forms filed with BCIC. Verification needs to ensue on whether each filing was done in a timely manner, on if the filing should have been done to the City Secretary as per the code. There are a lot of issues there, as that Board was added in 2021 to Chapter 38, still these requirements existed under the Texas Local Government Code and required reporting which demands follow-up.

Commissioner Roy De los Santos added, one thing to review as this entity is audited, he has seen certain rules on the BCIC website, but then it seems that actions are taken internally that conflict those publicly posted rules. It raises great concern that certain companies take certain steps that aren't provided publicly to others and gives an air of impropriety.

Commissioner Roy De los Santos recalled at least two (2) instances where a couple of applicants have been awarded more than $25,000 for fire suppression, which is what is publicly posted as being the maximum allowed. Ms. Folkertsma stated the team had seen this.

Francisco Orozco wanted to confirm that the primary focus of the audit whether it is related to the award or ethics disclosures or is it concentrating on whether the money was accounted for properly.

Keilah Folkertsma replied that ethics is a major focus but a wide net is cast to include how they document actual economic impact to the community as opposed to projections.

Chair, Mayor John F. Cowen, Jr., mentioned BCIC may lack the tools to evaluate such impact, and this is something BCIC needs to look into.

Commissioner Rose Gowen requested a timeline, to which Keilah Folkertsma stated looking into at least providing a draft by December, which may be slightly overambitious during the holiday season, but she does not expect it to be longer than six (6) months.

No further discussion ensued. No action was taken.

B. FUTURE AGENDA ITEMS

Francisco Orozco requested a closed session related to bylaws and potential ordinances.

Commissioner Roy De los Santos requested to place an ongoing item of what was discussed during executive session related to personnel matters.

C. ADJOURNMENT

Commissioner Roy De los Santos motioned to adjourn, Gerardo Garcia second the motion, and carried unanimously.

There being no further business to come before the Audit & Oversight Committee, upon duly made motion the meeting adjourned at 2:13 p.m.

Approved this ___19th___ day of ___January___, 2024.

Mayor John F. Cowen, Jr.
Audit & Oversight Committee Chair

Attest:

Luis G. Salinas, MACC
Interim City Auditor

Respectfully Submitted by:
Laura Martinez, Executive Assistant
Office of the City Manager