



**City of Fayetteville, NC
Special Audit Committee
Meeting**

August 7, 2023 @3:00 pm

3rd Floor – Winslow Room

433 Hay Street, Fayetteville, NC 28301



Audit Committee Meeting
August 7, 2023 @ 3:00 pm

AGENDA

1. Call to Order
2. Approval of Agenda
3. Approval of Meeting Minutes
4. Fiscal Year Ended June 30, 2022 Annual Comprehensive Financial Report, Audit Results and LGERS Results (*Presented by Robert E. Bittner III, CPA, MBA, PBMares Inc*)
5. Adjournment

Attachments:

- a) Draft Meeting Minutes – April 27, 2023

**AUDIT COMMITTEE QUARTERLY MEETING MINUTES
LAFAYETTE CONFERENCE ROOM, 1st FLOOR
CITY HALL, 433 HAY STREET, FAYETTEVILLE
THURSDAY, APRIL 27, 2023
3:00 P.M.**

Committee Members Present: Ron O'Brien, Chair
D.J. Haire, Council Member
Derrick Thompson, Council Member

Committee Members Absent: Johnny Dawkins, Mayor Pro Tem
Dr. Mfon Akpan, Vice Chair

Staff Present: Doug Hewett, City Manager (joined via Zoom at 3:07 p.m.)
Jeffrey Yates, Assistant City Manager (via Zoom)
Rose Rasmussen, Internal Audit Director
Christina Zimmerman, Internal Auditor
Jody Picarella, Chief Financial Officer
Lachelle Pulliam, Assistant City Attorney
Willie Johnson, Assistant Chief Information Officer
Dwayne Campbell, Chief Information Officer
Chief Ronnie Willett, Fayetteville Fire Department
Daniel Edwards, Assistant Public Services Director
Christopher Cauley, Economic & Community Dev. Director
Taurus Freeman, Economic & Community Dev. Asst. Director
Paula Handberry, Executive Assistant to the City Council

1. Call to Order

Mr. Ron O'Brien called the meeting to order at 3:00 PM

2. Approval of Agenda

MOTION: Council Member Thompson moved to approve the agenda
SECOND: Council Member Haire
VOTE: UNANIMOUS (3-0)

3. Approval of Minutes

MOTION: Council Member Thompson moved to approve the January 26, 2023 minutes.
SECOND: Council Member Haire
VOTE: UNANIMOUS (3-0)

4. Management Report – Presented by Ms. Rose Rasmussen, Internal Audit Director

a. Quarterly Management Implementation Status Report

- Of the 12 completed audits on the Corrective Action Plan (CAP), seven are ready for a follow up from Internal Audit. Management has expressed that all recommendations have been fully implemented.
- However, five of the completed audits have recommendations that are not fully implemented:
 - Solid Waste Fees: The Solid Waste ordinance, with new service limits, was adopted by Council on February 27, 2023. The new ordinance will be effective July 1, 2023. The department is currently working with the City’s Marketing and Communications department to develop a plan for educating residents.
 - Vector Fleet Contract: The department has only one outstanding recommendation for this audit. The fleet is currently holding meetings with individual departments on a bi-weekly basis and continues to work toward establishing the Fleet Maintenance Committee.
 - Fire Kronos Implementation: Integration of the departments staffing and time keeping program system was initiated in March of 2023. The written policies and procedures will be finalized once the KRONOS, timekeeping system, upgrade is fully functioning to meet the department’s needs.
 - Subrecipient Grant Monitoring- The department has created a written standard operating procedure to address the remaining recommendations which is currently out for printing and binding. The new subrecipient agreement templates and monitoring risk assessments will be implemented July 1, 2023 with the issuance of the FY2024 Action Plan agreements.
 - Procurement Card- Finance staff are currently working on updating City Policy #312 and related training materials. Implementation is expected to occur on or before July 1, 2023.

Questions:

Council Member Thompson asked what is the City doing to fill the Internal Audit vacancy and what will ensure that it’s not cut from the budget. Ms. Rose Rasmussen, Internal Audit Director responded a Request for Proposal (RFP) was put out for auditing services. The audits firms are asking for \$100 or more per hour for their services.

Mr. Ron O’Brien, Committee Chair stated one-third of the audit fees goes toward audit insurance. Many accountants and certified public accountants (CPAs) are leaving the audit business. There is a shortage of CPAs that are willing to do audits. CPAs are being imported from other countries to do audits.

City Manager Doug Hewett stated after reviewing the proposals, the lowest bid wouldn’t be economical for the City at this time.

Council Member Thompson asked what is the protocol for other agencies to update their policies. Ms. Rasmussen responded she's unable to speak for other agencies and advised of using sunset dates. The sunset dates should be staggered so all policies do not come up for review at the same time

Council Member Haire asked does the City partner with colleges for an internship. Ms. Rasmussen responded not at this time. She would need to speak with Mr. Jerry Clipp, Human Resource Director. Council Member Haire stated different avenues need to be explored. Mr. O'Brien stated Fayetteville Technical Community College has approximately 400 to 500 students enrolled in various intern programs. Students would have to be closely monitored due to dealing with payroll and other sensitive information to reduce the number of mistakes.

Mr. O'Brien stated the vacancy still has to be filled. The longer things go on and unchecked it will compound. The more areas that are not checked over a period of time will become impossible to check everything. There has to be a sense of urgency to fill this position. The longer this goes on is an invitation for fraud.

Council Member Haire asked does the City go outside of the normal parameters to seek staff. Mr. Hewett responded jobs are listed on NEOGOV. One of the challenges the City has is the salary isn't enough to encourage people to relocate. The City has begun offering limited moving support as an incentive.

This report is for informational purposes and no action needed.

5. Review of Audit Committee Charter and Bylaws

This item was presented by Ms. Rasmussen. One of the responsibilities of the Audit Committee outlined in both the Charter and the Bylaws, is to review and update these documents at least every two years.

The Internal Audit Department is recommending changes to the Charter and Bylaws.

Mr. O'Brien recommended changing the wording in Article II under Membership in the Bylaws.

- **Current:**
SECTION 2. Members from the business community shall be appointed for a term of **two years**. The member from the Fayetteville Public Works Commission shall be appointed for a two-year term. The terms of the City Council members shall be appointed for a two-year term consistent with their terms of election.
- **Proposed Change:**
SECTION 2. Members from the business community shall be appointed for a term of **two years with a two-year term limit**. The member from the Fayetteville Public Works Commission shall be appointed for a two-year term. The terms of the City Council members shall be appointed for a two-year term consistent with their terms of election.

Article III – Officers

- **Current:**

SECTION 2. *Election of Officers and Term of Office.* The officers shall each be elected at the regularly scheduled meeting held in July, take office immediately upon election, and serve a one-year term or until a successor is elected at the subsequent years quarterly meeting held in **July**.

○ **Proposed Change:**

SECTION 2. *Election of Officers and Term of Office.* The officers shall each be elected at the regularly scheduled meeting held in August, take office immediately upon election, and serve a one-year term or until a successor is elected at the subsequent years quarterly meeting held in **August**.

Article VI – Meetings

○ **Current:**

SECTION 1. *Regular Meeting.* A regular meeting of the Committee shall be held quarterly on the fourth Thursday during the months of January, April, **July**, and October at a time and place to be designated by the Committee. All meetings will be open to the public, to the extent required by North Carolina General Statute 143-318.10.

○ **Proposed Change:**

SECTION 1. *Regular Meeting.* A regular meeting of the Committee shall be held quarterly on the fourth Thursday during the months of January, April, **August**, and October at a time and place to be designated by the Committee. All meetings will be open to the public, to the extent required by North Carolina General Statute 143-318.10.

Article VI – Meetings

○ **Current:**

SECTION 3. *The Deputy City Clerk* will keep minutes of each meeting and offer them for Committee approval as the first item on the subsequent meeting agenda. The minutes should be distributed to Committee members in draft form within a reasonable time after the meeting and in advance of the subsequent meeting. A copy of the approved minutes will be submitted to the Office of Internal Audit.

○ **Proposed Change:**

SECTION 3. *The City Clerk’s Office* will keep minutes of each meeting and offer them for Committee approval as the first item on the subsequent meeting agenda. The minutes should be distributed to Committee members in draft form within a reasonable time after the meeting and in advance of the subsequent meeting. A copy of the approved minutes will be submitted to the Office of Internal Audit.

Audit Committee Charter – Responsibilities

○ **Current:**

Responsibilities

The Audit Committee will carry out the following responsibilities:

- Review and reassess the adequacy of this Charter at least every two years, with any

revision submitted to the City Council for approval.

- Provide an avenue of communication among the City Council, city management, internal audit, and the independent auditors.
- Ensure the City's internal control systems are in place and implemented, including information technology security and control.
- Ensure City management implements internal audit report recommendations.
- Approve the annual audit plan **and all major changes to the plan.**
- Review the internal audit charter, activities, staffing, and organizational structure of the internal audit function with the City Manager and the Internal Audit Director and recommend any changes to the City Council.
- Submit an Annual Report of Audit Committee actions and recommendations to the City Council.
- Recommend to the City Council the selection of the independent auditors.
- Continually evaluate the independence of the independent auditors.
- Review the City's **CAFR**, management letter and management's response and forward findings to the City Council.

○ **Proposed Change:
Responsibilities**

The Audit Committee will carry out the following responsibilities:

- Review and reassess the adequacy of this Charter at least every two years, with any revision submitted to the City Council for approval.
- Provide an avenue of communication among the City Council, city management, internal audit, and the independent auditors.
- Ensure the City's internal control systems are in place and implemented, including information technology security and control.
- Ensure City management implements internal audit report recommendations.
- Approve the annual audit plan **and inform Audit Committee of any major changes to the plan.**
- Review the internal audit charter, activities, staffing, and organizational structure of the internal audit function with the City Manager and the Internal Audit Director and recommend any changes to the City Council.
- Submit an Annual Report of Audit Committee actions and recommendations to the City Council.
- Recommend to the City Council the selection of the independent auditors.
- Continually evaluate the independence of the independent auditors.
- Review the City's **Annual Comprehensive Financial Report (ACFR)**, management letter and management's response and forward findings to the City Council.

Audit Committee By-Laws – Article I – Purpose:

○ **Current:**

SECTION 1. The Audit Committee has been established as an advisory committee whose primary purpose is to assist the City Council in fulfilling its oversight responsibilities for the overall stewardship of the City’s financial affairs.

The responsibilities of the Audit Committee shall be:

- a) Review and reassess the adequacy of this Charter at least every two years, with any revision submitted to the City Council for approval.
- b) Provide an avenue of communication among the City Council, city management, internal audit, and the independent auditors.
- c) Ensure the City's internal control systems are in place and implemented, including information technology security and control.
- d) Ensure City management implements internal audit report recommendations.
- e) Approve the annual audit plan **and all major changes to the plan.**
- f) Review the internal audit charter, activities, staffing, and organizational structure of the internal audit function with the City Manager and the Internal Audit Director and recommend any changes to the City Council.
- g) Submit an Annual Report of Audit Committee actions and recommendations to the City Council.
- h) Recommend to the City Council the selection of the independent auditors.
- i) Continually evaluate the independence of the independent auditors.
- j) Review the City’s **CAFR**, management letter and management’s response and forward findings to the City Council.

o **Proposed Change:**

SECTION 1. The Audit Committee has been established as an advisory committee whose primary purpose is to assist the City Council in fulfilling its oversight responsibilities for the overall stewardship of the City’s financial affairs.

The responsibilities of the Audit Committee shall be:

- d) Review and reassess the adequacy of this Charter at least every two years, with any revision submitted to the City Council for approval.
- e) Provide an avenue of communication among the City Council, city management, internal audit, and the independent auditors.
- f) Ensure the City's internal control systems are in place and implemented,

including information technology security and control.

- d) Ensure City management implements internal audit report recommendations.
- e) Approve the annual audit plan **and inform Audit Committee of any major changes to the plan.**
- f) Review the internal audit charter, activities, staffing, and organizational structure of the internal audit function with the City Manager and the Internal Audit Director and recommend any changes to the City Council.
- g) Submit an Annual Report of Audit Committee actions and recommendations to the City Council.
- h) Recommend to the City Council the selection of the independent auditors.
- i) Continually evaluate the independence of the independent auditors.
- j) Review the City's **ACFR**, management letter and management's response and forward findings to the City Council.

Article VI – Amendments

- o Section 1 will be added to read the following:

These bylaws are subject to change by the Committee, with subsequent approval by the City Council.

Staff will make the recommended changes, email the committee members for their review and approval, then to City Council.

6. Internal Audit Activities- presented by Internal Audit Staff **a. Evidence and Property Management Follow-up Audit #2**

Background

- The original audit was presented in June 2018 with 29 recommendations
- Internal Audit determined 31% of the recommendations were closed based on the first follow-up in April 2021.
- The second follow-up was completed due to the number of outstanding recommendations remaining at that time.

Scope

- Review the 20 recommendations still in progress by the department.

Results

- The department implemented seven of the 20 recommendations through:

- Improved documentation retention
- Turnaround time of seized items
- Operating Procedures updates:
 - Clarified responsibilities and documentation requirements
 - Removed outdated language
 - Included required description fields that should be entered into the record management system
- Staff was unable to determine the status of one recommendation because there were no items disposed of during the scope that were affected by the Visionnaire record management system data conversion.

Recommendations

The Department provided a draft operating procedure showing they were working to resolve additional recommendations. The Police Department was encouraged to strengthen processes and controls in the following areas to:

- Include all areas and types of property for all audits and inventories they perform.
- Update Operating Procedures to clarify when officers should provide property receipts and ensure the policy is followed.
- Provide refresher training on all updated procedures.
- Establish a process to reconcile the currency amounts in the record management system, the bank and Oracle HUB, the City's new Financial system.
- Add security cameras to ensure cameras are functional in all areas where property is stored.
- Require an independent witness to validate the destruction of drugs.
- Require quality reviews for court orders to ensure the destruction or disposal of all items has been approved by the appropriate authority.
- Develop a quality review process for the record management system Property and Evidence Voucher Module to ensure all property and evidence has been submitted to the Property Room.
- Distribute auction proceeds to the Cumberland County Board of Education within 30 days after the sale as required by North Carolina General Statute.
- Establish written departmental procedures to ensure employees only have the access necessary to do their job and access is periodically reviewed to ensure only authorized users have access.

Questions

Mr. O'Brien asked was the turnaround time for seized items average, too long, or too quick. Ms. Rasmussen responded per policy items should be turned in by the end of their duty day.

Discussion ensued between Ms. Rasmussen and Council Member Haire regarding currency reconciliation. The Police Department has started taking seized funds to the bank and is no longer kept in the property and evidence room. Council Member Haire asked how long does the money remain in the account and what happens after the expiration date. Ms. Christina Zimmerman, Internal Auditor responded the funds remain in the account until the

courts release the funds. The courts will then advise of the manner in which the funds should be released.

Mr. O'Brien asked what hinders the funds from going into an interest bearing account. Ms. Zimmerman responded the City cannot profit off of it.

Discussion ensued.

Council Member Thompson asked are the recommendations things the Department should have been doing. Ms. Rasmussen responded the recommendations are from the first audit.

Discussion ensued.

Council Member Thompson asked when does staff go back to confirm the department is making the recommended changes. Mr. O'Brien responded there isn't enough staff to do a follow up.

Discussion ensued.

Mr. O'Brien asked how many people are involved in the currency reconciliation. Ms. Rasmussen responded two people go to the bank to deposit the funds. One person from the business office and one from the Property and Evidence Room.

Discussion ensued.

MOTION: Council Member Haire moved to accept the Internal Audit Activities

SECOND: Council Member Thompson

VOTE: UNANIMOUS (3-0)

7. Any New Business

There was no new business.

8. Adjournment

Mr. Ron O'Brien moved to adjourn meeting at 4:00 P.M.

Mr. Ron O'Brien, Chair

Paula Handberry, Executive Assistant to the City Council