



Audit Committee Meeting  
January 26, 2017 @ 3:30 pm  
1<sup>st</sup> Floor – LaFayette Room  
433 Hay Street, Fayetteville, NC 28301

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## AGENDA

1. Call to Order
  2. Approval of Agenda
  3. Approval of Amended By-laws
  4. Approval of Meeting Minutes
  5. Presentation of the Audited FY2015-2016 Comprehensive Annual Financial Report *(Presented by Michelle Thompson a partner with Cherry Bekaert LLP and Cheryl Spivey, Chief Financial Officer for the City of Fayetteville)*
  6. Request for Special Meeting on February 23, 2017 for the Purpose of Selecting and Independent Auditor *(Requested by Cheryl Spivey, Chief Financial Officer for the City of Fayetteville)*
  7. Internal Audit Activities:
    - a. City-wide Travel and Training Audit January 2017 (A2017-01)
    - b. Quarterly Management Implementation Status Report
  8. Adjournment
- 

### Attachments:

- a) Amended By-laws dated January 2017
- b) Meeting Minutes – October 20, 2016
- c) Comprehensive Annual Financial Report FY2016 Presentation
- d) Travel and Training Audit Report A2017-01
- e) Quarterly Management Implementation Status Report – 2<sup>nd</sup> Quarter FYE17
- f) Internal Audit PPT – Audit Committee 1/26/2017

433 Hay Street  
Fayetteville, NC 28301-5537  
(910) 433-1672 | (910) 433-1680 Fax  
[www.cityoffayetteville.org](http://www.cityoffayetteville.org)

**City of Fayetteville  
AUDIT COMMITTEE  
Fayetteville, North Carolina**

**By-Laws**

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**ARTICLE I**

**PURPOSE**

**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.

## ARTICLE II

### MEMBERSHIP

**SECTION 1.** The City Council of the City of Fayetteville shall appoint three City Council members, one member from the Fayetteville Public Works Commission and two members of the business community to be voting members of the Audit Committee. The City Manager and Internal Audit Director shall be an ex-officio non-voting member of the Audit Committee.

**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.

## ARTICLE III

### OFFICERS

**SECTION 1. *Enumeration of Offices*** The officers of the Committee shall be a Chairperson and Vice-Chairperson. The Mayor shall serve as the Chairperson.

**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.

**SECTION 3.** Vacant terms of officers may be filled through action taken by the Committee. An officer appointed to fill a vacancy shall be appointed for the unexpired term of his predecessor in office.

**SECTION 4.** The Chairperson shall preside at all meetings of the Committee and perform such other duties as may be directed by the Committee.

**SECTION 5.** The Vice Chairperson shall serve as the Chairperson in the absence of the Chairperson.

**SECTION 6.** The officers shall serve without compensation for their services.

## ARTICLE IV

### RESIGNATIONS

**SECTION 1.** In the event that a member chooses to resign from the Audit Committee, such member should notify the Chairperson, in writing. The Chairperson will then immediately notify the members of the Committee of any such resignations. The resignation shall be effective when the notification is received by the Chairperson unless the notification specifies a later time.

## ARTICLE V

### QUORUM

**SECTION 1.** Four members, excluding the City Manager and Internal Audit Director, shall constitute a quorum.

## ARTICLE VI

### MEETINGS

**SECTION 1. *Regular Meeting.*** A regular meeting of the Committee shall be held quarterly on the ~~third~~ **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.

**SECTION 2. *Special Meetings.*** Special meetings may be called by the Chairperson, or the Vice Chairperson in the absence of the Chairperson, as deemed necessary or desirable. All Special Meetings will be noticed in accordance with North Carolina General Statute.

**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.

**SECTION 4.** The Chairperson shall approve an agenda in advance of each meeting. The Committee may request any employee of the City or the independent auditors to attend a meeting of the Committee.

## ARTICLE VII

### AMENDMENTS

AUDIT COMMITTEE  
LAFAYETTE CONFERENCE ROOM, 1<sup>ST</sup> FLOOR CITY HALL  
433 HAY STREET, FAYETTEVILLE, NC  
OCTOBER 20, 2016 - 3:30 PM  
QUARTERLY MEETING MINUTES

## COMMITTEE

MEMBERS PRESENT: Mayor Nat Robertson, Chair  
Dr. Pamela Jackson, Vice Chair  
Council Member Bobby Hurst  
Council Member Bill Crisp  
Mrs. Michelle Hall, Fayetteville Technical  
Community College  
Mrs. Evelyn Shaw, PWC Chair

OTHERS PRESENT: Elizabeth Somerindyke, Internal Audit Director  
Rose Rasmussen, Senior Internal Auditor,  
Internal Audit  
Traci Carraway, Internal Auditor, Internal  
Audit  
Douglas Hewett, City Manager  
Karen McDonald, City Attorney  
Jennifer Ayre, City Senior Administrative  
Assistant  
Scott Shuford, Planning and Code Enforcement  
Director  
Tammy Smith, Office Assistant  
Dwayne Campbell, Chief Information Officer  
Michael Bailey, Interim Permitting and  
Inspections Director  
Joseph Vittorelli, Information Technology  
Project Manager

**1.0 CALL TO ORDER**

Mayor Nat Robertson called the meeting to order at 3:34 p.m. and welcomed everyone in attendance. He stated that this committee may be one of the most important in the City as it has to do with checks and balances. Mayor Robertson also stated that he hopes no one takes their duty lightly on the committee with input not only needed but required.

**2.0 APPROVAL OF AGENDA**

**MOTION: Council Member Bobby Hurst**

**SECOND: Mrs. Evelyn Shaw**

**VOTE: UNANIMOUS (6-0)**

**3.0 INTRODUCTION OF MEMBERS**

Mayor Robertson requested everyone go around the table and introduce themselves.

Mayor Robertson: Mayor of the City and Chair to the Internal Audit Committee; which means nothing more than ensure that each member has all the information they need.

Mrs. Karen McDonald: Not a committee member. City Attorney for 14 years. Lived in Fayetteville since 1979

Council Member Bobby Hurst: Council Member for District 5. One of the three Council Members represented on the Committee.

Ms. Rose Rasmussen: Senior Internal Auditor

Ms. Traci Carraway: Internal Auditor

Mrs. Elizabeth Somerindyke: Director of Internal Audit

Ms. Michelle Hall: Works with Fayetteville Technical Community College, Fayetteville Native

Dr. Pamela Jackson: Dean for the School of Business with Fayetteville State.

Evelyn O. Shaw: Chair of the Public Works Commission

Council Member Bill Crisp: District 6. Ninth year on the Council. Last year on the Council.

Douglas Hewett: City Manager.

#### **4.0 APPOINTMENT OF OFFICERS**

Mrs. Elizabeth Somerindyke explained that per the by-laws the Mayor is the chairperson and the appointment today will be for a vice chairperson. Council Member Crisp asked if she would like the committee to go ahead and vote.

Council Member Crisp moved to elect Council Member Hurst as Vice Chair. Council Member Hurst declined and recommended that since the Chairperson is male, a female should be the Vice Chairperson.

**MOTION: Council Member Bill Crisp moved to nominate Dr. Pamela Jackson as Vice Chair**

**SECOND: Mrs. Evelyn Shaw**

**VOTE: UNANIMOUS (6-0)**

#### **5.0 APPROVAL OF BYLAWS**

Mrs. Somerindyke provided a brief overview of each article of the by-laws as represented in the report.

Article One: Purpose. Consistent with the Audit Committee Charter adopted by the City Council in May.

Article Two: Membership. Also consistent with the Charter. Goes on to say that everyone other than the City Manager and the Internal Audit Director will be voting members. Each member will serve a two year term.

Article Three: Officers. The Mayor shall serve as the chairperson and a vice chairperson will be elected. The article further discusses the duties of the officers.

Articles Four and Five discuss how resignations are handled and what constitutes a quorum.

Article Six: Meetings. Requesting for the meeting to be at the end of every quarter. January, April, July and October on the Third Thursday of the month with a time and place designated by the committee.

Council Member Hurst asked since a meeting takes place in July of next year, how does it work with Council Members that are up for re-election. Does it end their term on the committee? Mayor Robertson stated that he believes the Council Member should finish out the whole year.

Mayor Robertson stated that the third Thursday is not a good date for him, as traditionally he is out of town with his personal job. He could do the first or fourth Thursday or move it to an alternate date. Mrs. Somerindyke stated she would get back with the committee with a date and which room is available.

Council Member Crisp questioned under Article III. Who elects the officers. He understands the Mayor elected the Council Members but who is being elected? How are officers being elected. Mrs. Somerindyke stated the election was just for the vice chair. Council Member Crisp responded that that was what he thought but that there was an "s" on Officers.

Mayor Robertson asked for approval of bylaws.

**MOTION: Council Member Bobby Hurst moved to approve the bylaws as presented**

**SECOND: Mrs. Evelyn Shaw**

**VOTE: UNANIMOUS (6-0)**

## **6.0 AUDIT ACTIVITIES**

### **6.1 Annual Audit Plan Proposed Engagements for FY17**

Mrs. Elizabeth Somerindyke explained that many factors are considered when developing the audit plan. The department focuses on the risks associated with the different activities, change in management, budget risk materiality. They focus on departments with high compliance rate. The compliance with federal and state regulations and high level of decentralization. Senior Management Team is also met with to discuss any areas of concerns they may have such as being aware of any fraud or abuse. This year ten projects have been identified. Permitting and Inspections and CityWorks will be discussed however CityWorks implementation was not audited due to being on the FY16 Plan. Since CityWorks is wrapped up within Building Permitting and Inspections some areas of CityWorks were looked at.

The previous Finance Department Director Mrs. Lisa Smith retired recently and there has been a large turnover within the department. When there are large amounts of turn over there is a higher risk. The Finance Department asked Internal Audit to come in and look at balance sheet reconciliations, grants due to new staff and ensure that everything was flowing correctly and that there were no red flags. First look was on March 31, 2016. Second look was on June 30, 2016. The Finance Department is still closing out FY16 and almost ready for Cherry Bekaert to complete the external audit. Once the Finance Department closes their books Internal Audit will review one last time then close. It is not an audit; just a review. Mayor Robertson asked what Cherry Bekaert's role is. Mrs. Somerindyke stated they are the external auditors.

Council Member Crisp asked how the work plan is numbered (A2016-02). Mrs. Somerindyke stated that "A" means Audit "R" means Review, the first number is the year the audit/review took place second number is the month.

Council Member Crisp stated some of the City Council are not impressed with Cherry Bekaert. He thinks that to some extent they are going through the motions. Mayor Robertson asked if Council just renewed the contract. Mrs. Somerindyke stated that it is the last year for Cherry Bekaert. She explained that Mrs. Spivey, Finance Director will be going out with an RFP or RFQ for a new audit company. The RFP/RFQ will come to the Audit Committee before sending out for submissions. Council Member Hurst asked if the auditor covers just the City and PWC or does PWC have their own auditing firm? Mrs. Somerindyke stated that this year the contract is together with the City and PWC. However, going forward since financials are being presented separately PWC and the City will contract their own firms.

**MOTION: Evelyn Shaw moved to approve the Audit plan as presented**

**SECOND: Council Member Bobby Hurst**

**VOTE: UNANIMOUS (6-0)**

### **6.2 Permitting and Inspections Audit October 2016 (A2016-02)**

The scope of the audit is July 2014 thru June 2016. The entire Permitting and Inspections Audit is discussed through powerpoint slides from pages 3 - 25 in the report or in written

format pages 1 thru 60. Findings that had questions are the only findings represented in the minutes.

Finding # 1

Mayor Robertson asked what the meaning of "Concur" is on all of the findings. Mrs. Somerindyke explained that "concur" meant the management of the department were agreeing with the recommendations and will implement.

Mayor Robertson asked if there was a timeline for implementation. Mrs. Somerindyke stated on page 39 titled Management's Response, each finding provides an expected implementation date.

Council Member Hurst stated it appears that June 2016-2017 is the expected implementation dates. Will there be follow-up from Internal Audit. Mrs. Somerindyke stated that there will be follow-up to ensure compliance. However, some are already implemented.

Finding # 3

Council Member Crisp stated that the lack of records keeping is a concern. Is it going to take a year to rectify the issue? Mr. Scott Shuford stated that part of the difficulty is to coordinate the permitting software. The goal is to approach the office of cultural affairs and seek permission to keep digital records as the originals. Council Member Crisp asked when Mr. Shuford thinks implementation will happen. Mr. Shuford stated that the department is already into implantation for three of the recommendations. By January of 2017 three more should be completed. Many of the findings will have to wait until the new fiscal year due to budgeting.

Finding # 6

Mayor Robertson asked if the issuance of certificates of occupancy without passing an inspection was done once or multiple times. Mrs. Somerindyke stated that it had occurred multiple times.

Finding # 7

Mr. Scott Shuford stated this finding is one that has been successfully responded to the recommendation as of October 5, 2016.

Finding # 14

Mayor Robertson stated he sees an implementation date of June 2017 then asked why it takes 7 months to train on the software. Mr. Shuford stated on page 47 of the report under Management's Response it explains that training cannot be effective until the changes through IT and Cityworks happens.

Finding # 17

Council Member Crisp asked when a permit expires, are there any measures to give 30 day notice, if so how are they notified and is the department keeping a record. Mr. Shuford stated that yes, they receive a 30 day notice and a final notice to let them know it has expired. They are notified vial regular mail or email and a copy is kept on file.

Finding # 21

Per Mr. Shuford this finding has been corrected

Finding # 22

Mrs. Shaw asked if there was a process in place for recuperating the overpayments. Mrs. Somerindyke stated that she did not know the answer, but would look into it.

Mayor Robertson asked if the finding has been corrected. He stated that procedures should have been put in place to correct immediately. Mr. Shuford stated that yes it has been implemented, however training will begin in the next quarter then will continue with quarterly training.



Finding # 24

Per Mr. Shuford this finding has been corrected.

Finding # 27

Mayor Robertson stated he wants to ensure that the implementation of the recommendation will not delay the issuance of the permit. Reviewing if a contractor still has a valid permit should not take multiple days. Mr. Shuford stated that they are working at having real-time awareness of a contractor's license and it should not take two days.

Finding # 29

Mayor Robertson requested verification that every inspector has the tools and technology needed. Mr. Shuford confirmed that they do.

Finding # 30

Mrs. Evelyn Shaw asked what the ramifications of exposure for bypass. Mr. Shuford stated some workflows are required and some are optional. That would be why there would be a need to override certain steps. The plan is to work at reducing the number of permit types and streamline workflow options.

Finding # 31

Council Member Crisp stated that one of the advantages of the AVL system is to go from home directly to the worksite, instead of coming to City Hall prior. Mr. Shuford stated it has not been fully implemented and is under review. Code Enforcement staff has implemented the program, but the Building Inspectors have not implemented the program yet.

Mayor Robertson asked if the inspectors have City phones and laptops, utilizing monitoring applications for those devices may be an alternate option to the AVL. Mr. Shuford agreed stating that any repetition of tracking is a good thing.

**MOTION: Council Member Bobby Hurst moved to accept the Permitting and Inspections Audit as presented**

**SECOND: Dr. Pamela Jackson**

**VOTE: UNANIMOUS (6-0)**

Finding # 35

Per Mr. Shuford this finding has been corrected.

**7.0 ADJOURNMENT**

**MOTION: Council Member Bill Crisp**

**SECOND: Council Member Bobby Hurst**

**VOTE: UNANIMOUS (6-0)**

There being no further business, the meeting adjourned at 5:37 p.m.

Respectfully submitted,

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JENNIFER L. AYRE  
Senior Administrative Assistant

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NAT ROBERTSON  
Mayor

102016



## FINANCE DEPARTMENT

**TO:** City of Fayetteville Audit Committee

**FROM:** Cheryl Spivey, CPA, Chief Financial Officer

**DATE:** January 18, 2017

**RE:** Fiscal Year Ended June 30, 2016 Comprehensive Annual Financial Report and Audit Results

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**Relationship To Strategic Plan:**

GOAL V: Sustainable Organizational Capacity, Objective A, To ensure strong financial management with fiduciary accountability and plan for future resource sustainability by aligning resources with City priorities.

**Executive Summary:**

The City is required by North Carolina state statutes and granting agencies to have an annual audit. The Audit Committee Charter states that the Audit Committee will review the City's Comprehensive Annual Financial Report (CAFR), management letter and management's response and forward findings to City Council.

**Background:**

Cherry Bekaert LLC audited the City's financial statements for the year ended June 30, 2016 and issued their opinion on December 14, 2016. The CAFR can be found at the following link to the City's website:

<http://fayettevillenc.gov/Home/ShowDocument?id=6387>

Michelle Loyd Thompson, Partner, Cherry Bekaert LLC will present the results of the audit. Cheryl Spivey, Chief Financial Officer will review the annual financial results.

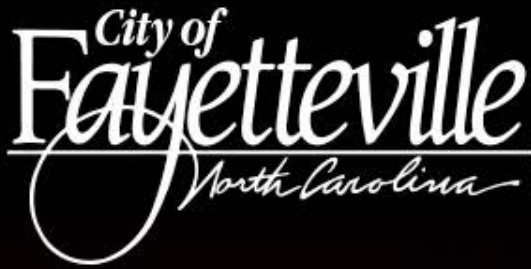
**Recommended Action:**

Staff requests that the Audit Committee receive the reports, review the City's CAFR, management letter, and management's response and forward findings to City Council.

**Attachment:**

Presentation of the City of Fayetteville's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

433 Hay Street Fayetteville, NC 28301-5537  
(910) 433-1682 | [www.cityoffayetteville.org](http://www.cityoffayetteville.org) | [www.faytv7.com](http://www.faytv7.com)



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Michelle Loyd Thompson, Partner Cherry Bekaert LLP  
Cheryl Spivey, Chief Financial Officer**

# Results of Financial Audit

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- Audit Firm – Cherry Bekaert LLP issued **Unmodified Opinion** (highest level of assurance a CPA can give)
- No audit adjustments or material weaknesses
- Administered \$41.9 million dollars of Federal and State grant programs with no questioned costs

# CAFR Components

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- Introductory Section (pages A1-A15)
- Financial Section (pages B1-G6)
  - Independent Auditor's Report
  - Management's Discussion and Analysis
  - Basic Financial Statements and Notes
  - Required Supplementary Information
- Supplementary Information (pages H1-P22)
  - Combining/Individual Fund Financial Statements and Schedules
  - Other financial and statistical data
- Compliance Section (pages Q1-R5)

# Changes from Prior Year

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- PWC no longer reported as City Enterprise and Internal Service Funds – Reported as Discretely Presented Component Unit
- Law Enforcement Officers Special Separation Allowance no longer reported as Pension Trust Fund – Now Reported as Component of General Fund

# Governmental Activities

Generally Financed through Taxes, Intergovernmental Revenues,  
and Other Non-Exchange Transactions

## General Fund

General operating fund  
of the City

## Special Revenue Funds

- Emergency Telephone System Fund
- Federal and State Financial Assistance Fund
- Linear Park Fund (component unit)
- City of Fayetteville Finance Corporation Fund (component unit)

## Capital Project Funds

- General Government Fund
- Public Safety Fund
- Transportation Fund
- Economic and Physical Development Fund
- Recreational and Cultural Fund

# Business-Type Activities

**Financed Primarily by Revenues Generated by their own Activities**

## Enterprise Funds

- Storm Water Management Fund
- Transit Fund
- Airport Fund
- Environmental Service Fund

## Internal Service Funds

- Services provided by one department to other departments of the City, on a cost reimbursement basis
- Insurance Fund



# Fiduciary Funds

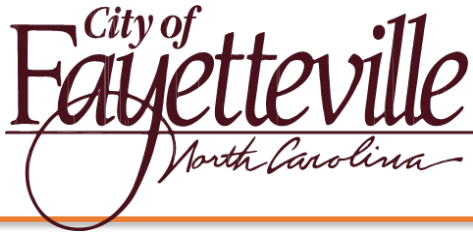
Account for Assets Held by a Governmental Unit in a Trustee or Agency Capacity

## Private Purpose Trust

- Police Benefit Trust Fund
- Firemen's Benefit Trust Funds

## Agency Fund

- Red Light Camera Fund



# Discretely Presented Component Unit

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Legally Separate Authority, But Would Be Misleading to Exclude  
from City's Financial Statements

**Fayetteville Public Works Commission**

# General Fund Available Fund Balance

- Local Government Commission requires available fund balance of 8% percent annual General Fund expenditures
- City of Fayetteville fund balance policy 10% of the succeeding year's General Fund expenditure budget, excluding the budget for the County Recreation Program

Total Fund Balance - \$61.9 million



**\$2.0 million decline -prior year adjusted for Law Enforcement Officers Special Separation Allowance**

**Unassigned Fund Balance - \$23.1 million  
14.1% of original FY17 General Fund budget,  
excluding county recreation programs**



**\$1.4 million increase – resulting from decline in amounts assigned for subsequent year's expenditures and capital projects**



# General Fund – 2016 Summary Operating Results (page E-5)

	Original Budget	Final Budget	Final Actual	Final Budget Variance
<b>Revenues, Transfers In, Loans, Sale of Assets</b>	\$ 153,463,746	\$ 156,053,003	\$ 159,223,131	\$ 3,170,128
<b>Expenditures and Transfers Out</b>	(160,441,274)	(170,076,566)	(161,218,367)	8,858,199
<b>Appropriated Fund Balance</b>	6,977,528	14,023,563	1,995,236	(12,028,327)
	\$ -	\$ -	\$ -	\$ -
<b>Fund balance at the beginning of the year</b>			60,536,708	
<b>Actual Appropriated Fund Balance</b>			(1,995,236)	
<b>Prior Year Restatement - Law Enforcement Officers Special Separation Allowance</b>			3,326,945	
<b>Fund balance at the end of the year</b>			<b>\$ 61,868,417</b>	

Results \$12M better than year-end budget. Actual revenues were higher than budget. Actual expenditures were less than budget

# Financial Highlights

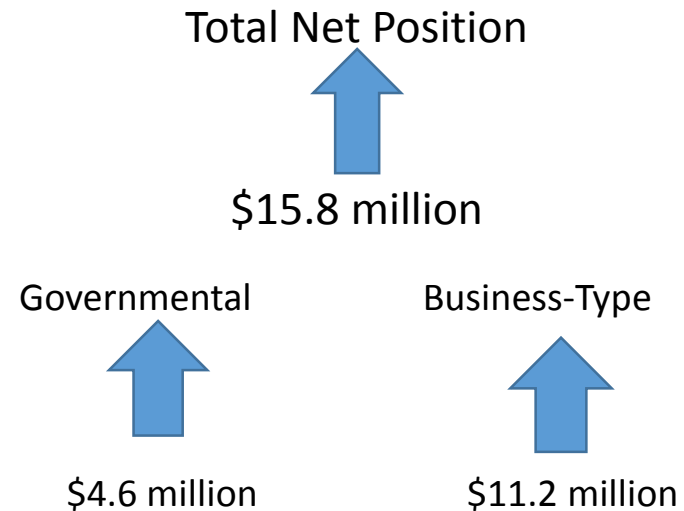
## Entity-Wide Net Position

All Funds Combined (Entity-Wide). Does Not Include PWC.

### Fiscal Year End Balances

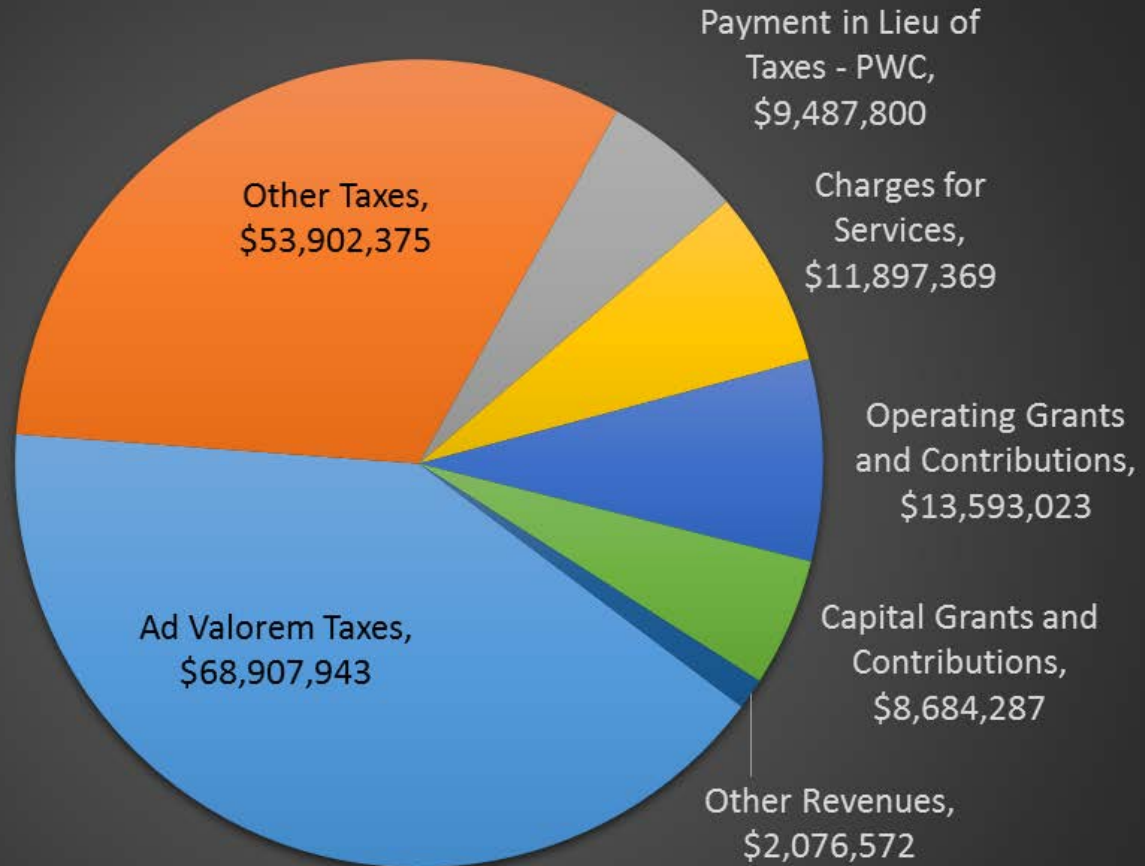
- Assets & deferred outflows > liabilities & deferred inflows by \$528.9 million (net position)
- \$434 million net capital assets
- \$43 million restricted
- \$51.4 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors

### Changes from Prior Year

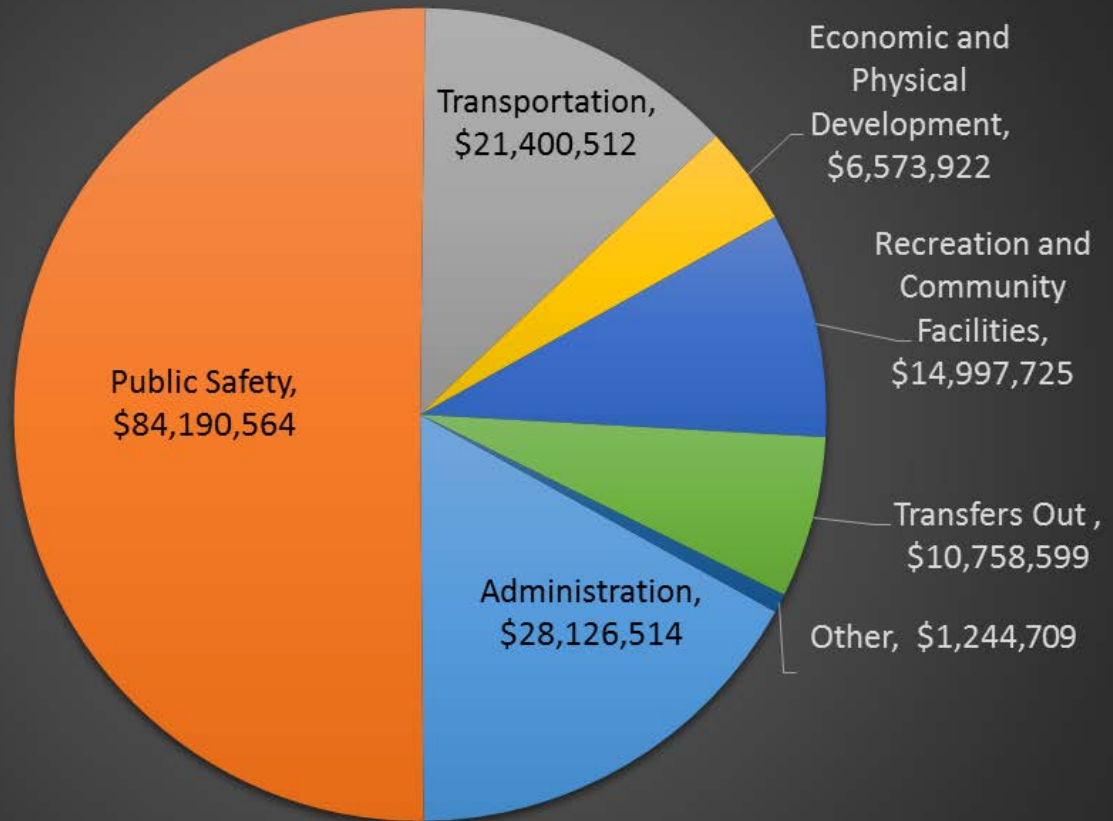


\$3.3M of Governmental Increase Resulted from Law Enforcement Officers Special Separation Allowance moving from Pension Trust Fund to General Fund

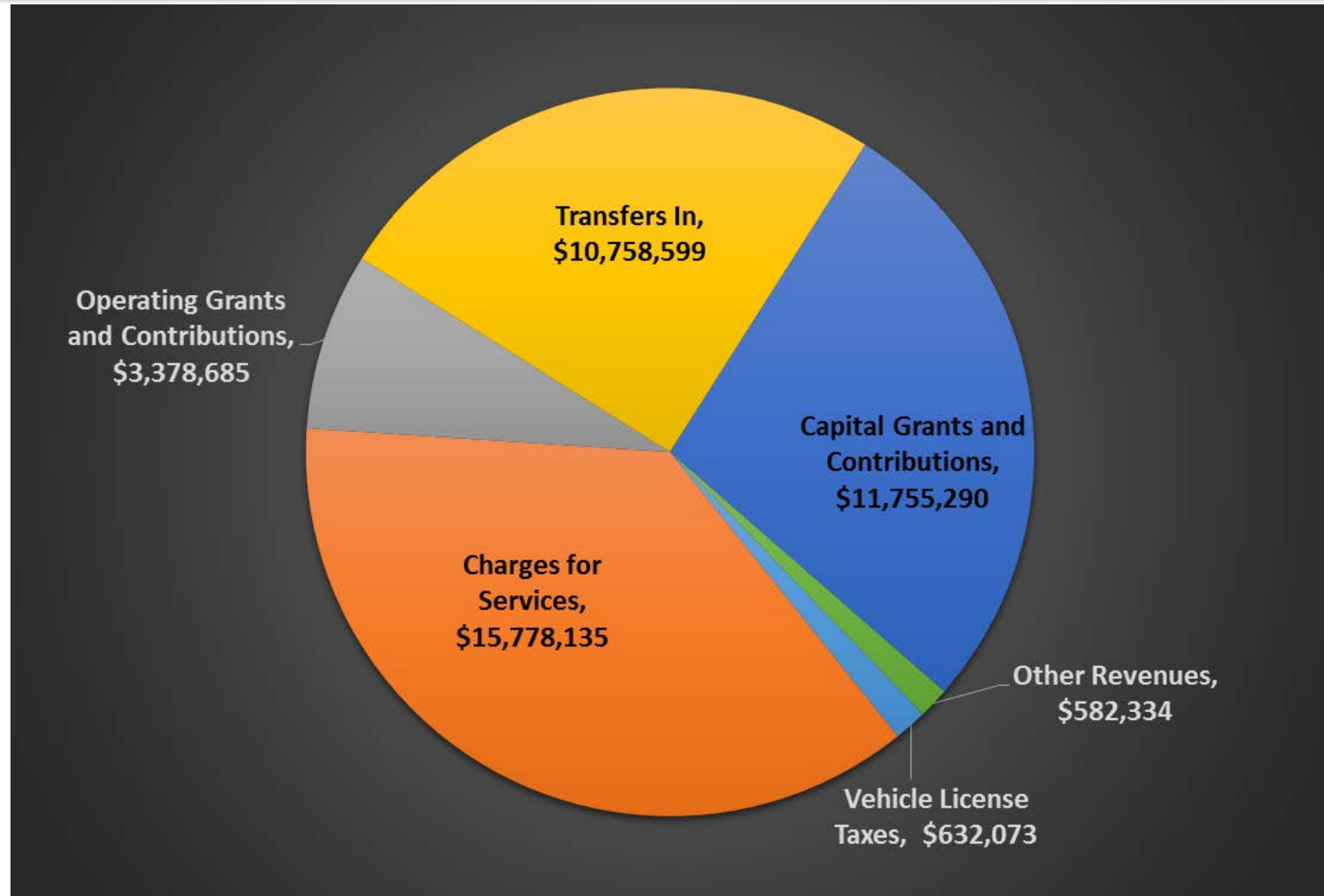
# Governmental Revenues



# Governmental Expenses

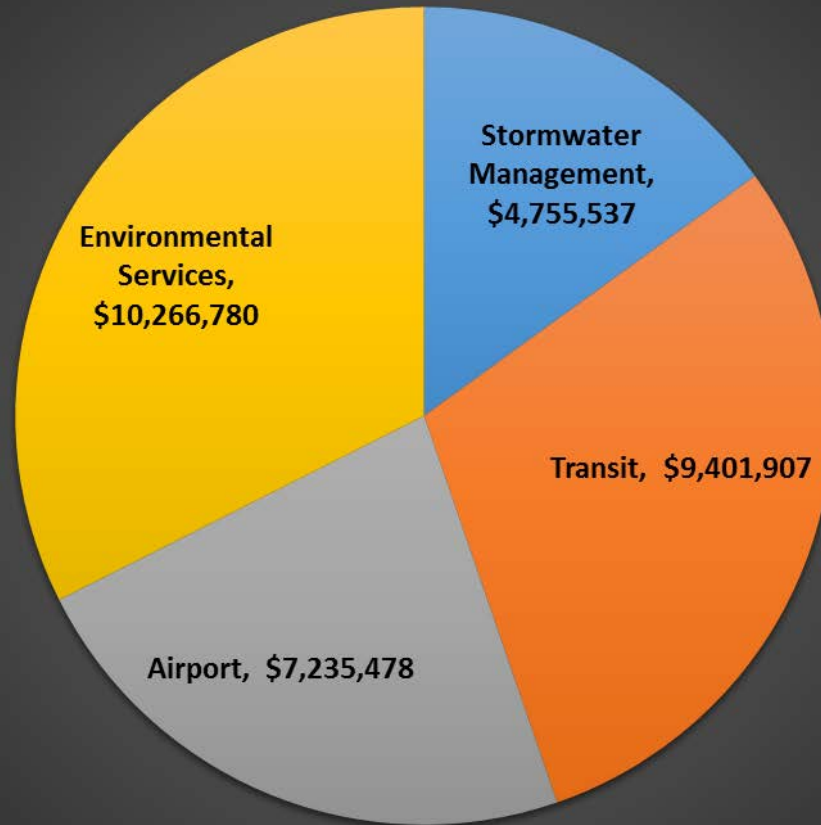


# Business-Type Revenues





# Business-Type Expenses



# \$31.4 Million Fiscal Year 2016 Investment in Capital Assets

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Major capital asset investments and contributions during the fiscal year:

- \$7.2 million Street Resurfacing, Sidewalk Construction, Traffic System Improvements
- \$6.6 million Downtown FAST Transit Center and other transit projects
- \$5.6 million Recreation and Cultural Projects, including College Lakes Aquatic Center and Phase 2 of the Cape Fear River Trail
- \$5.6 Fayetteville Regional Airport Terminal improvements and other airport projects
- \$2.8 million stormwater drainage system improvement projects, including Buckhead Kingsford and Yadkin Road
- \$2.5 million General Government Projects, including City Hall Renovations
- \$1.1 million public safety & economic and physical development projects

# Long-Term Obligations

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Bonded debt	\$ 8,282	\$ 4,337	\$ 11,163	\$ 7,925	\$ 19,445	\$ 12,262
Obligations under capital leases	20,607	19,420	576	435	21,183	19,855
Installment note payable	375	300	375	350	750	650
<b>Total long-term debt</b>	<b>\$ 29,264</b>	<b>\$ 24,057</b>	<b>\$ 12,114</b>	<b>\$ 8,710</b>	<b>\$ 41,378</b>	<b>\$ 32,767</b>

- Long-term debt (GO Bonds, Revenue Bonds, Notes Payable & Capitalized Leases) \$32.8 million, decreased \$8.6 million (21%)
- Other long-term obligations:
  - \$8.0 million compensated leave
  - \$6.2 million Pension Liability
  - \$23.9 million for Other Post-Employment Benefits (OPEB)
- GO bond ratings: Moody's Aa1/Standard & Poor's AA+
- Legal debt margin \$1.1 billion - North Carolina limits GO bonds to 8% of assessed valuation

# Questions and Discussion

City of  
**Fayetteville**  
*North Carolina*

433 Hay Street

Fayetteville, NC 28301-5537

[www.cityoffayetteville.org](http://www.cityoffayetteville.org)

[www.faytv7.com](http://www.faytv7.com) [www.fayettevilleoutfront.com](http://www.fayettevilleoutfront.com)



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**OUTFRONT**



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## FINANCE DEPARTMENT

**TO:** City of Fayetteville Audit Committee

**FROM:** Cheryl Spivey, CPA, Chief Financial Officer

**DATE:** January 18, 2017

**RE:** Request for Special Meeting on February 23, 2017 for the Purpose of Selecting an Independent Auditor

---

**Relationship To Strategic Plan:**

GOAL V: Sustainable Organizational Capacity, Objective A, To ensure strong financial management with fiduciary accountability and plan for future resource sustainability by aligning resources with City priorities.

**Executive Summary:**

The City and PWC are required by North Carolina state statutes and granting agencies to have an annual audit. The Audit Committee Charter states that the Audit Committee will recommend to the City Council the selection of the independent auditors and to continually evaluate the independence of the independent auditors.

**Background:**

City Finance-Purchasing Division has prepared and advertised a request for proposals (RFP) for the selection of an independent auditor. The RFP and addenda can be found at the following link to the City's website:

<http://fayettevillenc.gov/Home/Components/RFP/RFP/120/883>.

All proposals are to be received by mail no later than January 27, 2017 by 2:00 pm. The RFP is for three annual audits for the fiscal years ending June 30, 2017, June 30, 2018, and June 30, 2019. The RFP states that we strongly encourage Minority participation.

433 Hay Street Fayetteville, NC 28301-5537  
(910) 433-1682 | [www.cityoffayetteville.org](http://www.cityoffayetteville.org) | [www.faytv7.com](http://www.faytv7.com)

City Finance and PWC staff have been requested to provide an evaluation of the proposals to be presented to the Audit Committee at a special meeting. Staff requests this meeting be held on February 23, 2017.

**Issues:**

The selected independent auditor will need to begin fieldwork in the spring to meet the deadline set by the Local Government Commission to have the audit completed. Therefore, the selection of the auditor is time sensitive.

**Budget Impact:**

Audit services are budgeted on an annual basis. The RFP requires cost sheets to be included in all proposals.

**Options:**

Call a special meeting on February 23, 2017.

Call a special meeting for a date other than February 23, 2017.

**Recommended Action:**

Call a special meeting on February 23, 2017.

**Attachments:**

None



**Office of Internal Audit**

**Compliance Audit 2017-01  
City-wide Travel and Training**

**January 2017**

**Director of Internal Audit**  
Elizabeth Somerindyke

**Senior Internal Auditor**  
Rose Rasmussen

**Internal Auditor**  
Traci Carraway





**OUR MISSION**

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville’s operations.

**Director of Internal Audit**

Elizabeth Somerindyke

**Senior Internal Auditor**

Rose Rasmussen

**Internal Auditor**

Traci Carraway

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<http://fayettevillenc.gov/government/city-departments/internal-audit>

**Mailing Address: 433 Hay Street, Fayetteville, NC 28301**

## EXECUTIVE SUMMARY

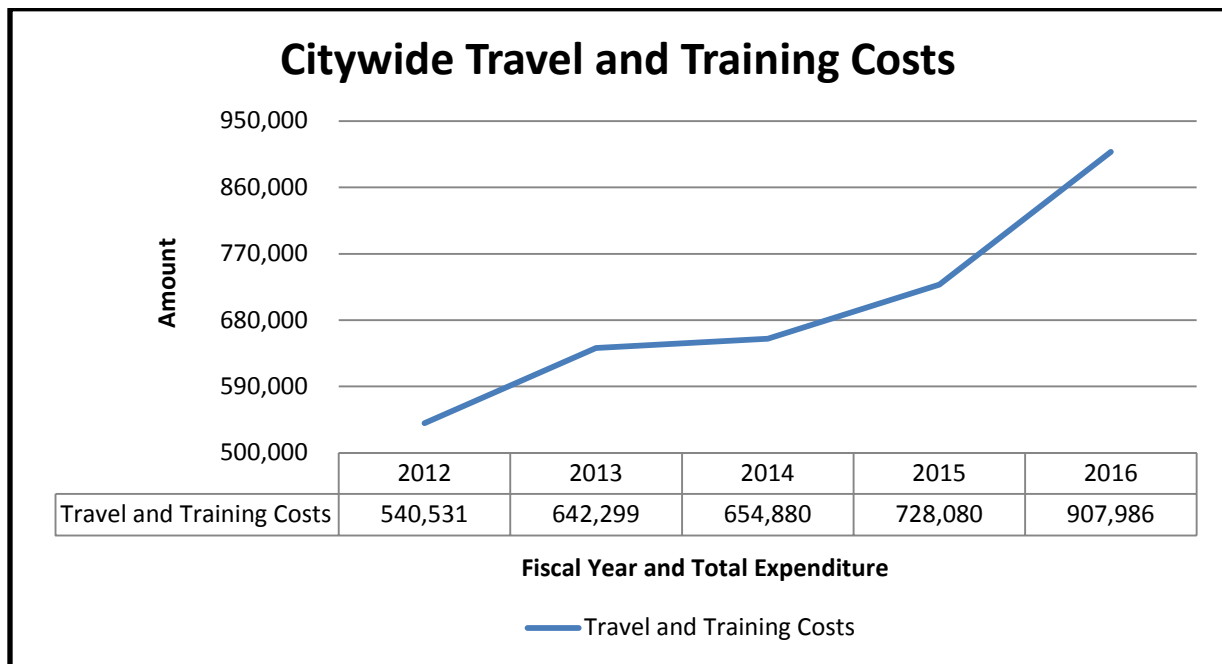
In accordance with the Fiscal Year 2016-2017 Audit Plan, the Office of Internal Audit assessed compliance with relevant policies, procedures, laws, rules and regulations; and whether resources were used in the most cost-effective manner for travel and training expenditures. In order to meet the objectives, Internal Audit examined accounting documents; interviewed personnel; and tested records.

This report addresses a number of areas where management actions could further reduce the risks associated with travel and training expenditures. Those areas are discussed below:

1. Travel and training expenditures were not always in compliance with applicable policies.
2. Resources were not always used in the most cost-effective manner.
3. Sales tax was not always recorded correctly.

## BACKGROUND

It is the City of Fayetteville's policy to pay directly or to reimburse employees for reasonable expenditures incurred when traveling for official City business which can include meetings, conferences, workshops, seminars, etc. The travel may be local, in-state, out-of-state, or foreign and could also be daily or overnight trips. *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* as revised effective July 3, 2008 defines the City's travel policy. The Finance Department is responsible for the management and oversight of this policy. Department heads are responsible for managing, approving, and reviewing budget appropriations and expenditures to support travel activities for their respective departments. For the fiscal year ended June 30, 2016, the City incurred \$ 907,986 of training and related travel expenditures. These expenditures also included City capital and grant funded training and related travel expenditures. The following chart documents total travel and training expenditures incurred by the City of Fayetteville since fiscal year 2012:



Source: JD Edwards Financial System

Below is a table showing travel and training expenditures by department for FY 2016:

<b>Travel and Training Expenditures FY2016</b>	
<b>Department</b>	<b>Amount</b>
Airport	\$ 32,425
Budget and evaluation	12,684
Cemeteries	175
City attorney	4,388
Community development	2,806
Community development grant funded	1,934
Corporate communications	15,959
E-911	28,855
Economic and business development	20,480
Economic and business development grant funded	391
Engineering	26,205
Environmental service	4,740
Executive	58,859
Finance	20,468
Fire	58,669
Human relations	2,516
Human resources	7,071
Information technology	96,180
Information technology - enterprise wide GIS capital project	24,000
Information technology - KRONOS capital project	15,225
Legislative	29,032
Parks and recreation	56,275
Permitting & inspections	39,583
Planning & code enforcement	2,429
Planning and development	12,041
Police	245,178
Police - 800Mhz radio capital project	4,102
Police grant funded	6,424
Public buildings	655
Real estate	2,152
Risk management	3,699
Storm water management	7,490
Street maintenance	13,752
Transit grant funded	42,126
Transit operating	8,968
Urban forestry	50
<b>TOTAL FY2016 EXPENDITURES</b>	<b>\$ 907,986</b>

Source: JDEdwards Financial System

## ***AUDIT OBJECTIVES***

The objectives of this audit were to ensure expenditures were in compliance with relevant policies, procedures, laws, rules and regulations; and departments managed and used resources in a cost-effective manner.

## ***AUDIT SCOPE***

The scope of the audit included all travel and training related expenditures incurred from July 1, 2015 to June 30, 2016.

## ***AUDIT METHODOLOGY***

In order to meet the objectives, Internal Audit examined accounting documents; interviewed personnel; and tested records. In addition, Internal Audit:

- Obtained and reviewed *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures*; *State of North Carolina Office of State Budget and Management Budget Manual*; the U.S. Department of Transportation Federal Transit Administration Circular *FTA C 9030.1E* and the *2015 DOJ Grant Financial Guide*;
- Obtained and reviewed travel and training expenditures from the general ledger for fiscal year 2016 to date;
- Selected a sample of expenditures and performed the following tests:
  - Verified the accuracy of travel advance/reimbursement calculations,
  - Verified the adequacy of the supporting documentation,
  - Verified proper approval of travel expenditures were present,
  - Reviewed the transactions for unusual activity to identify fraud, waste and abuse (e.g., were employees staying beyond the conference time, were there unsupported reimbursement claims, was there travel which appeared personal in nature); and
- Interviewed employees in charge of processing travel expenditures.

An analysis of travel expenditures for July 1, 2015 through June 30, 2016 was performed. Five departments were judgmentally selected (Police, Information Technology, Community Development, Transit, and Economic and Business Development) by evaluating the largest dollar amount of travel expenditures, the largest dollar amount of travel expenditures per employee, and department size to improve the overall efficiency of the audit and ensure the sample was reflective of the total population. The City Manager's Office was judgmentally selected as a sixth department to include the Office of Internal Audit's transactions in the sample to increase accountability and transparency. The sample size for each department was selected by starting with the first batch and selecting every other tenth batch to generate a ten percent sample. During the audit, due to possible fraud, waste and abuse, an additional ten percent sample was selected for one of the six selected departments.

## ***FINDINGS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES***

### **Finding 1**

***Travel and training expenditures were not always in compliance with applicable policies.***

A strong system of internal control requires policies and procedures written by management to ensure proper controls, safeguards and segregation of duties are in place. The development and use of policies and procedures are an integral part of a successful quality system as it provides personnel with the information and guidance to perform a job properly.

Internal Audit reviewed applicable federal, state and local policies, procedures, laws, rules and regulations relevant to the payment of travel expenditures to ensure compliance. This included: the *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures*, *State of North*

Carolina Office of State Budget and Management Budget Manual, the U.S. Department of Transportation Federal Transit Administration Circular *FTA C 9030.1E* and the *2015 DOJ Grant Financial Guide*. Upon review of these guidelines and the sampled travel expenditures, the following observations were made:

1. **Reimbursement was made for meals served and included in registration cost.** *City of Fayetteville Policy #307 Employee Development, Training, and Travel Expenditures* stated, reimbursement will not be made for any meal served where the cost was included in the registration fee, and the appropriate deduction from the Meals & Incidentals rate must be made. However, Internal Audit noted 25 instances within the Information Technology Department sample in which meals included in the registration cost were also paid to employees as a per diem meal allowance. Reimbursement of \$291 was requested from the respective employees.
2. **Supervisory review and approval was not always documented.** Requiring prior approval is an important step to ensure City and departmental policies and procedures are being followed, and help department directors manage travel budgets. In addition, when granting agencies require prior approvals for expenditures, noncompliance could place the City's grant funding at risk in full or at a minimum reimbursement for noncompliant expenditures. Internal Audit noted instances within the sample of all audited departments in which no documentation of prior approval was attached for the travel expenditure. Based on an Internal Audit inquiry, departments considered the travel advance request approval for the trip. However, all travel expenditures did not include a travel advance request.

Travel and training expenditures in which state grant funds were requested, the Transit Department could not provide prior written approval. However, the *State of North Carolina Office of State Budget and Management Budget Manual* required prior written approval by department head or his or her designee to reimburse for overnight lodging and meals.

*City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, "Car rentals, when pre-authorized and necessary, must be arranged by the individual traveler. Car rental charge receipts must be turned in with the employee expense statement to receive reimbursement. Car rental charges, not pre-approved, will require clear justification and approval by the Department Head." However, Internal Audit noted rental car payments within the Information Technology Department sample in which the department could not provide documentation showing prior authorization.

In addition, *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, "Advanced authorization for local mileage reimbursement is required by the Department Head or authorized designee." However, an instance was noted within the Economic and Business Development Department sample in which local mileage reimbursement was requested, but the department could not provide written prior authorization. Based on an Internal Audit inquiry, the department was unaware that prior authorization was needed.

3. **Mileage was calculated and paid from and/or to home versus the workplace.** *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, "Mileage reimbursement requests should be based on using mileage obtained from a navigation website (i.e., Mapquest.com) or actual odometer readings. Mileage using a personal vehicle shall always be calculated from the workplace. If the Traveler leaves directly from or drives directly back to home, normal commuting miles to the Traveler's workplace must be subtracted from the total trip mileage in calculating the reimbursement due." In addition, the *State of North Carolina Office of State Budget and Management Budget Manual* stated, "Actual mileage is reimbursable. Mileage is measured from the closer of duty station or point of departure to destination (and return)." However, Internal Audit noted three mileage reimbursements within the Transit Department and Information Technology Departments' samples calculated to and/or from the traveler's home. One of the three was determined to be closer when calculated from home and reimbursement was not required. The remaining two were determined to be closer from the workplace. However, when calculated, the difference from the workplace was only \$1.20 for one reimbursement and

\$0.86 for the other. Although minimal amounts were determined, reimbursements were requested from the employees.

4. ***Documentation of final expense reports was inadequate.*** *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, “Employee's Expense Statements should be filled out and submitted within a reasonable time, generally not to exceed two weeks or ten business days. This is especially important when travel advances have been made to the traveler. If circumstances prevent completing the expense statement within a reasonable time the traveler may be required to return the advance in full and later request reimbursement by submitting the expense statement. Advances not returned to employer within a reasonable time after returning are subject to payroll deduction.” In addition, the policy required all individuals authorized or designated to approve travel requests should ensure the traveler understands the policy before the travel request is approved to include ensuring a final accounting of all trip expenditures is submitted to the Finance Department. However, employee expense statements reflecting the final accounting of the travel and training were not always noted for all departments sampled. Based on an Internal Audit inquiry, the departments indicated final expense reports were turned into the Finance Department.

Internal Audit requested 29 final expense reports, however, the Finance Department was only able to provide 21 final expense reports. Based on an Internal Audit inquiry, the final expense reports were filed behind the “original” check and were not affixed to the check. In addition, Finance Department personnel did not scan the final expense reports into Laserfiche (a document management portal used by the City). In reviewing the final expense reports provided, Internal Audit noted only two of the 21 final expense reports included all the expenditures for the trip. The remaining 19 final expense reports were missing expenditures which included: registration fees, lodging amounts, parking, airfare, mileage and meals. City policy required a “final accounting” and “Employee’s Expense Statement” but did not define what these should include.

5. ***Documentation for registration fees was not in compliance with policy.*** *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, “Tuition for a class, registration fees for a seminar or conference and other fees that relate to attending the event for the stated purpose are considered registration fees. Registration fees must be substantiated by a complete brochure or agenda for the conference, seminar, class or convention being attended. Such fees will not be paid without the required documentation.” In the sample of all departments, Internal Audit found 36 payments for registration fees for which an agenda was not attached to the payment documentation. The documentation attached to support the payment did appear to substantiate payment of the registration fee. Proof of payment included, invoices, registration confirmation and copies of completed registration forms. In some instances, agendas are not provided for the class or training attended, and therefore, not feasible to require as documentation for registration payment, for example, driver’s safety classes at FTCC.
6. ***Documentation was lacking to substantiate travel related expenditures.*** An agenda is necessary to determine whether meals are provided at the seminar, conference or training attended and should be deducted from any per diem paid. Agendas also help determine the time the event started and ended to determine whether the traveler needed to travel a day before and/or a day after the event. Internal Audit requested 37 agendas from all departments sampled in order to ensure travel related payments were paid correctly. Based on an Internal Audit inquiry, the departments provided 12 agendas and were unable to provide the remaining 25 agendas. Without proper documentation, Internal Audit could not determine if all travel expenditures were calculated and paid correctly.

7. **Reimbursements were made for valet parking.** *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, “Valet parking will not be reimbursed by the City of Fayetteville, unless it is the only parking available.” Internal Audit noted three instances within the Information Technology Department sample in which valet parking was not the only parking available but was paid for on a City’s procurement card or reimbursed to the traveler. A difference in the valet parking fee and the self-parking fee of \$6 was requested from the respective employees.
8. **Actual versus per diem** – *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, “If the traveler chooses, the reimbursement for meals and lodging may be based on IRS approved per diems for the destination city. The choice must be for the entire duration of the trip. One may not use per diem for a day or days and actual cost reimbursement for other day(s) of the same trip. It should be noted that under both methods of reimbursement, hotel receipts are required.” There was one instance noted within the Police Department sample in which \$24.72 for food and beverages plus associated sales tax was paid as part of the lodging payment on a City procurement card. However, the traveler was also paid per diem for the entire trip. Based on an Internal Audit inquiry, the department indicated the food and beverage costs were not detected upon traveler’s return, and reimbursement to the City was not requested at the time. However, once Internal Audit notified the department, the employee reimbursed the City \$24.72.

In addition, Internal Audit noted for travel expenditures examined for all the departments sampled, whether meals were reimbursed at actual cost or paid per diem, employees were submitting actual receipts for lodging payments. The typical practice for City travel reimbursement was to allow per diem meals to be paid while allowing actual cost payments for lodging. As part of the City’s travel policy, guidelines were outlined governing reimbursement for meals and lodging. The policy stated that meals and lodging may be reimbursed either on a per diem basis or reimbursement can be made for actual expenses and “the reimbursement for meals and lodging may be based on IRS approved per diems for the destination city”. The City’s travel policy also stated, “When the per diem method is chosen, the Meals & Incidentals rate listed in the Domestic Per Diem rate tables set by the U.S. General Services Administration must be used. These rates are part of the Federal Travel Regulations, and” a web link is included. In addition, Policy 307 incorporated the Domestic Per Diem rate tables set by the U.S. General Services Administration as part of the Federal Travel Regulations. This incorporation by reference in the City’s Administrative Policy can be interpreted to include any and all directives as they pertain to per diem reimbursement for authorized travel for the City of Fayetteville.

9. **Per diem meal allowances were paid without an overnight stay.** *The City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* did not directly address treatment of travel expenditures without an overnight stay. However, the policy incorporated the Domestic Per Diem rate tables set by the U.S. General Services Administration as part of the Federal Travel Regulations. This incorporation by reference in the City’s policy can be interpreted to include all directives as they pertain to per diem reimbursement for authorized travel for the City of Fayetteville. According to the Federal Travel Regulations, travelers are entitled to 75% of the prescribed meals and incidental expenses for one day travel away from their official station if it is longer than 12 hours. Internal Audit noted instances, within the Information Technology Department sample for which two employees were paid per diem, but the travel did not include any overnight lodging nor did the training require the travelers to be away from their official station longer than 12 hours. Reimbursement of \$531 for the per diem meal payments was requested from the respective employees.

10. **Documentation for lodging payments was insufficient.** *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, regardless whether the traveler is reimbursed for meals and lodging based on IRS approved per diems for the destination city or reimbursed based on actual expenditures, the hotel receipts are required. In addition, the policy stated, “The Traveler is also responsible for obtaining all required receipts and other documentation while traveling, and submitting them with a final travel expense report within 10 business days of return from a trip.” Furthermore, the hotel receipt should have a zero dollar balance to show the traveler did in fact incur the expenditure, and the bill was paid in full. Internal Audit found five instances within the Police Department and Information Technology Department samples in which only the hotel confirmation was provided. The hotel confirmation only indicates that a room was reserved, and not that the traveler actually incurred the expenditure, or the balance was paid in full. Based on an Internal Audit inquiry, departments provided two of the five missing hotel receipts.

In addition, Internal Audit found one instance within the Transit Department sample in which a hotel receipt was provided, but it showed a balance due. Based on an Internal Audit inquiry, the department could not provide a copy showing a zero dollar balance. However, the balance due as shown on the hotel receipt was charged to a City procurement card.

11. **Mileage was not always calculated using mileage obtained from navigation website or actual odometer readings.** *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, “Mileage reimbursement requests should be based on using mileage obtained from a navigation website (i.e., Mapquest.com) or actual odometer readings.” There was one instance noted within the Economic and Business Development Department sample in which a request for local mileage reimbursement was paid without documentation showing the mileage was obtained from a navigation website, and actual odometer readings were not listed on the *Local Travel Expense Report*. However, there was a statement written for the Finance Department attached to the expense report stating the traveler was unaware exact odometer readings were required.

12. **Payments were made for ineligible expenditures -** *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, “Non-reimbursable personal expenses include but are not limited to the following: 1. In-room movies and alcoholic beverages. 2. Costs of spouse and or other family members or personal guests. 3. Parking tickets, fines and other penalties.” Internal Audit noted one instance within the Information Technology Department sample in which a toll violation was charged to a City procurement card. Reimbursement for the charge of \$5.20 has been requested from the employee.

In addition, Internal Audit found one instance within the Information Technology Department sample in which an employee was paid eight days of per diem meals and the city incurred lodging costs for seven nights for a five day event. Based on an Internal Audit inquiry, the department indicated the cheapest flight rate was for a Saturday to Saturday trip. However, the department could not provide documentation of other flight rates nor was documentation of any comparison analysis provided assessing cost savings for the City. Reimbursement of \$428.16 for two days per diem meals and two nights lodging was requested from the employee.

Internal Audit also found two instances within the Information Technology Department sample in which employees were overpaid for lodging expenses. In each case, a deposit was made using a City procurement card to secure reservations for an event; and the employees were paid an advance that covered the full amount of the lodging charges resulting in overpayments. Reimbursement of \$216.50 was requested for the overpayment.

Internal Audit also noted one instance within the Information Technology Department sample in which an employee was provided an advance payment for lodging, however, the actual cost of lodging was less than the advance payment provided to the employee. A final itemized hotel bill was not provided; therefore no final accounting of travel costs could be completed. Based on an



Internal Audit inquiry, the itemized hotel receipt was provided. Although a minimal amount of \$1.39 was determined, reimbursement was requested from the employee.

Internal audit noted one instance within the Information Technology Department sample in which an employee incurred \$44 in parking deck costs for a three day training event. Two separate charges were made on a City procurement card, \$17 and \$27 respectively, with overlapping time stamps. Based on an Internal Audit inquiry, the employee could not substantiate the indifference in the parking time stamps on the receipts; therefore, Internal Audit could not validate the parking charges. Reimbursement of \$17 has been requested from the employee.

Internal Audit also found one instance within the Information Technology Department sample in which an employee incurred lodging expenditures for the night the event ended. The event ended at 4:30 pm, but the employee did not travel home until the following day. Additionally restaurant charges were incurred for dinner the day after the event ended. Based on an Internal Audit inquiry, the department indicated the event ran late and an unscheduled tour was conducted after the event. In addition, the employee indicated a redeye flight would not be taken. However, Internal Audit determined the flight was booked prior to the event and before any event delays were known. Reimbursement of \$163.90 for one night lodging and one meal payment has been requested from the employee.

Additionally, Internal Audit noted one instance within the Information Technology Department sample in which an employee requested an advance that included four days of per diem meals, but it appeared the employee only traveled for three days. Reimbursement of \$63 was requested from the employee.

13. ***Mileage was paid on City owned vehicles.*** *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* stated, “If a City owned vehicle is used, the Traveler will be reimbursed only for actual expenses incurred for fuel or repairs as supported by paid bills or receipts.” Internal audit noted two instances within the sample of the City Manager’s Office for which an employee was paid mileage at a reduced rate on the City fleet vehicle assigned to the employee. Mileage should not be requested or paid on City owned vehicles.
14. ***Mileage was paid on rental cars.*** The policy stated, “Private vehicle mileage will be reimbursed at the federal rate.” The policy also indicated rental cars may be used “when they are the most economical or practical form of transportation.” Internal audit noted three instances with three different travelers within the Information Technology Department sample for which the City paid for rental cars and also paid the travelers mileage. Mileage should not be requested or paid on a rental, particularly if the cost of the rental has been paid with City funds. Reimbursement of \$625.48 from the respective employees was requested.

The *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* was last revised on July 3, 2008 and did not provide clear guidance. In addition, it appeared departments did not have complete understanding and/or knowledge of all aspects of the travel policy. Therefore, departments were not ensuring travelers were always in compliance with the travel and training policy.

### **Recommendation**

The Office of Internal Audit recommends management update the *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* to include, but not limited to, providing clear and concise guidance on required documentation for registration fees and per diem payments; actual versus per diem for meals and lodging; payment of travel expenditures for one day travel; and payment of mileage on rental cars. The review process should also be improved to ensure employees are only reimbursed for eligible meals, and ensure the most economical and efficient method of travel was utilized, or documented appropriately. In addition, management should ensure all City personnel who travel for City business have a complete, clear understanding and knowledge of not only the travel and training policy, but all policies applicable to travel and training expenditures. Management should develop a

process to monitor travel expenditures to include prior approvals, advances, after travel reporting and ensure travel expense reconciliations are completed and reviewed.

**Management's Response:**

We concur. Management is in full agreement with the recommendation. The Travel and Training Policy will be updated to address audit recommendations. To ensure that travel expenditures are in compliance with policies Accounts Payable staff will work with Departmental staff as needed. Training on processes and procedures will be offered. Accounts Payable staff will increase efforts to monitor travel documents for compliance.

Responsible Party: Ray Oxendine, Treasurer

Implementation Date: April 1, 2017

**Finding 2**

***Resources were not always used in the most cost-effective manner.***

City employees are stewards of the citizen's resources and as such should always ensure the most cost-effective use of those resources. A policy which provides clear guidance can help ensure the most cost-effective use of resources and deter and/or prevent potential waste and/or abuse. Internal Audit determined clearer guidance should be considered for the following observations:

1. ***Government rates for lodging were not always obtained.*** The policy stated, "When making lodging arrangements, ask for lowest rates available. The City of Fayetteville may qualify for the governmental rate and the corporate rate." There were 32 instances noted for all the departments sampled in which the rate paid was greater than the U.S. General Services Administration (GSA) rate. Based on an Internal Audit inquiry, the departments indicated when the GSA rate was unavailable the departments obtained the best rate offered at the time. Internal Audit calculated a potential savings of \$7,580 if GSA rates had been available and/or were utilized. However, Internal Audit noted nine instances within the Police Department and Transit Department samples in which there was a cost savings to the City for a total of \$792.53. For two of the nine cost saving instances, the savings was due to travelers sharing a room.
2. ***Tip percentages varied.*** The policy stated, "Actual reasonable expenses for meals including usual and customary tip will be reimbursed to the individual traveler." The wording in the policy, "usual and customary", allowed the traveler's discretion to determine what tip amount was appropriate. In addition, without clarification in the policy a traveler could calculate the tip based on the total before tax or the total after tax. Internal Audit noted 22 tips paid by the travelers within the City Manager's Office, Police Department and Transit Department samples which exceeded 20 percent. Based on before tax calculations, the tip percentages on these 22 payments ranged from 20.83 to 47.9 percent.
3. ***Excess weight and multiple baggage fees were paid.*** An instance was noted with the Police Department sample in which, instead of paying an additional \$25 for a separate baggage fee or \$35 for an additional baggage fee, the City paid a \$100 excess weight baggage fee. In addition, there were two instances noted in which an additional baggage fee was charged. For one of these instances within the Police Department sample, there were two City travelers. However, for one instance within the Information Technology Department sample, one traveler took two bags, resulting in an additional \$70 baggage charge. The policy did not address overweight baggage fees or a baggage fee limit.
4. ***Payments were made for preferred seating.*** For air travel, the policy only required coach or business class, not first class unless the traveler pays the difference. There was no guidance in the policy about whether the City will pay for extras which may include: preferred seating which

may allow a more favorable location on the flight; economy plus which provides for extra legroom; and “comfort+” providing more legroom, premium snacks and complimentary drinks, seating in the front of the plane, access to overhead bin space, Wi-Fi, complimentary pillow and blanket, and complimentary premium entertainment. There was one instance within the Police Department sample in which the City paid a total of \$41.94 for two travelers preferred seating; three instances within the sample for the City Manager’s Office in which the City paid a total of \$327 for “comfort+”, and one instance within the Information Technology Department sample in which the City paid \$191 for economy plus.

5. ***Employees did not carpool.*** Carpooling was not addressed in the policy, but it did require the most “economical and practical” form of transportation be used. Internal Audit noted five instances in which multiple employees from the same department attended the same conference/training and each employee was paid mileage. For three of these instances within the City Manager’s Office and the Information Technology Department samples two employees attended and traveled on the same day. One instance within the Information Technology Department sample in which nine employees attended an event with two traveling to the destination one day and seven traveling to the destination the following day. One instance within the Information Technology Department sample in which seven employees attended with two employees traveling to the destination on one day and the remaining five employees traveling to the destination the following day. Based on an Internal Audit inquiry, departments indicated the employees either served on committees and/or volunteered for work sessions that required different arrival times; the number of drive time hours and personality comfort levels prevented carpooling; or employee preference was to drive separate. A more economical solution for the City would have been a carpool or the use of an available City vehicle for any employees traveling on the same day to the same conference/training. For the instances noted, Internal Audit calculated a potential cost savings of \$2,228 had carpooling been utilized.
6. ***Late registration caused increased fees to be paid.*** Internal Audit noted five instances for which registration fees were paid late, therefore, additional fees were charged. In one instance within the Information Technology Department sample, four of the nine attendees paid the registration fee on the day the conference began and incurred a late registration fee of \$50 each. In one instance within the Information Technology Department sample two employees went to the same event and one employee appears to have taken a check for payment to the event incurring an additional \$550 fee. If available, employees should take advantage of early registration; particularly if there will be cost savings to the City.
7. ***Travel agent fees were paid.*** Internal Audit noted three instances within the sample for the City Manager’s Office in which an employee used a travel agent for travel arrangements and was charged a \$33 fee for each occurrence. A cost benefit analysis should be considered when using travel agents to ensure the most prudent use of the City’s resources. Based on an Internal Audit inquiry, it could not be determined if the use of the travel agent had been preapproved by department management. The use of travel agents was not addressed in the policy.
8. ***Excess car rental charges were paid.*** Internal Audit noted one instance within the Information Technology Department sample for which two employees attended the same training event and each employee rented a car. One employee paid the rental charges and later requested reimbursement, while the other employee charged the rental car fees on a City procurement card. Internal Audit calculated a potential cost savings of \$322.05 for this trip had only one rental car been utilized.

### **Recommendation**

The Office of Internal Audit recommends management review and update the *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures* to include, but not limited to, ensuring the policy provides clear, concise guidance on acceptable lodging rates; customary tips; baggage fees;

preferred seating; carpooling; late registration fees and travel agent fees. In addition, training specific to travel and training expenditures should be required, and management should dedicate the appropriate resources and time to ensure proper training for department personnel.

**Management's Response:**

We concur. Management is in full agreement with the recommendation. The Travel and Training Policy will be updated to address audit recommendations. Resources will be reviewed to ensure they are used in the most cost- effective manner. Training on processes and procedures will be offered. Accounts Payable staff will increase efforts to monitor travel documents.

Responsible Party: Ray Oxendine, Treasurer

Implementation Date: April 1, 2017

**Finding 3**

***Sales tax was not always recorded correctly.***

According to North Carolina General Statute 105-164.14.(c), a city is allowed an annual refund of sales and use taxes paid on direct purchases of tangible personal property and services. The City requests refunds based on the amounts recorded in JD Edwards as "tax amount". If the amount recorded in JD Edwards is overstated, the City could request more than is due and possibly receive an overpayment. Since this is a North Carolina sales and use tax refund, only North Carolina sales and use taxes paid should be recorded and requested for refund. Therefore, when a payment is made for purchases in a different state in which no North Carolina sales and use tax was paid, the out of state tax amounts should be charged as an expenditure and not recorded as sales taxes in JD Edwards, whereas, refunds should not be requested on these amounts. In addition, passenger facility charges, segment, 911 security, vehicle licensing and environmental fees, and excise and highway use taxes are not eligible for this refund. Internal Audit noted 27 food, hotel, rental car and airfare expenditures within the City Manager's Office, Police Department and Information Technology Department samples in which out of state sales tax or other ineligible fees and taxes were recorded in JD Edwards for a total ineligible amount of \$935.70.

Internal Audit also found one transaction within the Information Technology Department sample for which no sales tax was recorded. This transaction should have had eligible sales taxes to be refunded. The itemized receipt for this transaction should have been requested before any entry was made into JD Edwards.

For the Police Department, a new employee started entering the payment information into JD Edwards and was initially keying the taxes into JD Edwards since it was listed on the receipt. Based on an Internal Audit inquiry, the Finance Department indicated accounts payable training is provided to employees who request access in JD Edwards in order to enter accounts payable. However, the Finance Department was unable to provide documentation showing this training was provided. In addition, the procedures that the Finance Department said were provided to new employees did not specifically state exactly what amounts should and should not be included on the "Tax Amount" line in JD Edwards.

**Recommendation**

The Office of Internal Audit recommends the Finance Department update the procedures to clearly explain what amounts should and should not be included as taxes in JD Edwards and provide an explanation on why out of state sales tax and other ineligible taxes and fees should be treated differently than North Carolina sales tax. Management should ensure personnel are trained on the updated procedures. The Finance Department should review all sales and use tax related transactions for the fiscal year 2017 to determine if the correct amount has been properly coded as an expenditure or sales tax.

In addition, proper adjustments should be made to the annual North Carolina sales and use tax refund request to ensure any out of state sales tax and other ineligible amounts are not included in the refund request.

**Management's Response:**

We concur. Management is in full agreement with the recommendation. When notified of new hires the Finance Accounts Payable staff will provide training and copies of an Accounts Payable manual updated to include issues identified in Finding #3. Training will include voucher entry procedures on coding invoice sales and use tax in JD Edwards. Our goal is to clearly identify proper coding for in-state and out-of-state taxes and amounts that are not eligible for recording in JD Edwards.

Refresher training sessions will be scheduled and conducted as necessary with departmental Office and Administrative Assistants. The sessions will include a discussion on why out of state sales tax and other ineligible taxes and fees should be treated differently than North Carolina sales tax.

The Treasurer and Accounts Payable staff will keep abreast of changes related to sales tax reporting and reimbursement with the State Department of Revenue. Accounts Payable staff will review all sales and use tax transactions for fiscal year 2017 to determine if coding errors have occurred and to post adjusting entries if applicable.

Responsible Party: Ray Oxendine, Treasurer

Implementation Date: April 1, 2017

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## *CONCLUSION*

The travel and training expenditures reviewed appeared to be for legitimate City business. However, controls for travel and training expenditures need improvement to ensure compliance. In addition to the violations of existing City policy noted during this audit, there were instances in which existing City policy on travel and training could provide better guidance not only to ensure a better understanding of the policy, but also to assist in preventing fraud, waste and abuse. Also, the current policy indicates the traveler may be required to return travel advances if the expense statement is not submitted in a reasonable time. However, the current process only tracks expenditures that are properly coded to the travel advance objects in the general ledger. For these cases, Internal Audit recommends updating the *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures*.

Internal Audit recommends improving oversight by updating the policy to strengthen internal controls; provide clear guidance; establish a process to track and reconcile travel expenditures; ensure employees are properly trained on all policies related to travel and training expenditures; establish clear guidance on the level of documentation required to show the various alternative travel methods considered; and establish and enforce disciplinary actions. Because consequences for policy violations are a critical part of ensuring policy compliance, Internal Audit recommends clearer guidance be provided on how violations should be escalated.

Internal Audit wishes to thank the Finance Department and other City departments that participated in this audit for their assistance and numerous courtesies extended during the completion of this audit.



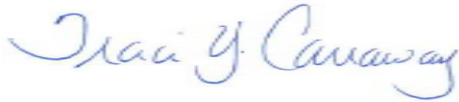
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Elizabeth H. Somerindyke  
Director of Internal Audit



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Rose Rasmussen  
Senior Internal Auditor



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Traci Carraway  
Internal Auditor



## MEMORANDUM

January 19, 2017

TO: Audit Committee Members

FROM: Elizabeth Somerindyke, Internal Audit Director

RE: Quarterly Audit Recommendation Progress Status Report

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### PURPOSE OF REPORT

The attached report provides members of the Audit Committee with an update on the progress of management's implementation of recommendations made by the Office of Internal Audit. Departmental management updates will be provided quarterly at each regularly scheduled Audit Committee Meeting.

The short summary of the progress updates is provided to allow a quick assessment for all recommendations. The attached report represents updates given by management on the progress made to implement Internal Audit's recommendations. No assessment on the progress of the recommendations has been performed by the Office of Internal Audit.

We welcome any questions, suggestions or recommendations for improving this report to enhance your ability to monitor the effective implementation of recommendations.

### RECOMMENDATIONS

This information will not be presented. However, we encourage Committee Members to prepare questions and comments on this report prior to the Audit Committee Meeting for discussion with departmental staff at the meeting. Staff from the Permitting and Inspections, Planning and Code Enforcement Services, Information Technology and Finance Departments have been requested to attend.

433 Hay Street  
Fayetteville, NC 28301-5537  
(910) 433-1672 | (910) 433-1680 Fax  
[www.cityoffayetteville.org](http://www.cityoffayetteville.org)

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2016 - 2017 (2nd Quarter)**

<u>Audit Title</u>	<u>Date Released</u>	Made	Accepted	Implemented	<u>Recommendations</u>	
					Partially Implemented	Not Implemented
Performance Audit Procurement Card A2015-03	January 2016	3	3	3	0	0
Police Confidential Funds A2016-01	January 2016	5	5	*	*	*
Unannounced Review of Petty Cash and Change Funds R2015-04	February 2016	8	8	8	0	0
Title and Registration A2016-04	March 2016	1	1	1	0	0
Permitting and Inspections A2016-02	October 2016	35	35	3	13	19

\* Due to the follow up audit currently being conducted, CAP updates were not requested.



**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
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KEY	Not Implemented	Partially Implemented	Implemented
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Recommendation	Management Response	Management Follow-up Response - January 17, 2017
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**R2015-04 - Unannounced Review of Petty Cash and Change Funds**

1	Establish policies for change funds and ensure the policies are followed.	<p>We concur. Management is in full agreement with the recommendation. The Treasurer will prepare a draft petty cash/change fund policy for review and approval by the City Manager's Office. A copy of the draft policy will be submitted to the Senior Management Team for their feedback. Once the policy is amended, the Treasurer will conduct mandatory training for all petty cash and change fund custodians in the two weeks following policy adoption.</p> <p><b>Implementation Date:</b> 3/31/16 &amp; 4/15/16  <b>Responsible Party:</b> Linda Daquil/RayOxendine</p>	<p>Change Funds Policy #313 became effective 4/6/2016. The policy outlines Purpose, Definition, Policy, Procedures, Responsibilities and Overages &amp; Shortages. Attachment Policy #313.</p>
2	Petty cash and change funds should be maintained at their authorized amounts. Overages should be deposited as miscellaneous revenue and shortages should be made up by the custodian of the fund. Additionally, when personnel establish and close change funds they should be accounted for as an asset on the general ledger. Currently, the parking fund should be adjusted as noted in the observation.	<p>We concur. Management is in full agreement with the recommendation. The Treasurer will confirm that all remaining overages have been remitted to the Finance Department or resolved as outlined in the internal audit report. The Treasurer will notify the appropriate departments of any shortages and confirm that those shortages are reimbursed or resolved as required by the appropriate Assistant/Deputy City Manager.</p> <p><b>Implementation Date:</b> 2/5/2016  <b>Responsible Party:</b> Linda Daquil/RayOxendine</p>	<p>As stated in Policy #313, Change Fund/Petty Cash balance of all departments were confirmed 11/28-30/2016. Unannounced visits to 20 P&amp;R centers implemented 12/1-2/2016 to confirm change fund balance is maintained at authorized amounts. No centers or departments had overage/shortage. Franklin St. Parking Deck Change Fund is at balance at authorized \$1,700 amount as of 2/4/16.</p>
3	A written reconciliation of petty cash and change funds should be required. There should be a reconciliation done by the custodian with verification of the balances by a second authorized individual including initialing and dating reports to document a review and reconciliation was performed.	<p>We concur. Management is in full agreement with the recommendation. A reconciliation requirement will be outlined in the petty cash/change funds policy. In the interim, the Treasurer will send an email to the custodians and department heads that such a reconciliation should be prepared and reviewed quarterly by each department for each petty cash/change fund within the department.</p> <p><b>Implementation Date:</b> 1/29/2016  <b>Responsible Party:</b> Linda Daquil/RayOxendine</p>	<p>Departments with daily cash transactions, Collections, Environmental Services, Permitting &amp; Inspections, and Transit conduct/record (open &amp; close) daily reconciliations in the POS system. P&amp;R centers were instructed 12/1-2 /16 to maintain a twice daily log/recon, P&amp;R Supervisors followed up with instructions. Email notification with Policy #313 attachment was sent to Petty Cash custodians and department heads on 12/8/16, with explanation of quarterly reconciliation preparation and review for each petty cash/change fund. The email was sent to all Change Fund custodians, supervisors and Department Directors with explanation of daily reconciliation written requirement of Policy #313.</p>
4	To enhance accountability and also ensure all policies and procedures relative to the use of the petty cash and change fund monies are adhered to, Internal Audit recommends the names of all fund custodians be included when a petty cash or change fund is requested. In addition, a listing of all current authorized custodians of each fund should be created and maintained by the Finance Department and also kept with the fund.	<p>We concur. Management is in full agreement with the recommendation. The accounts payable staff will contact each department to confirm the name of each custodian. A list of authorized custodians for each department will be approved in writing by the department head and the department head/custodians will be advised to maintain a copy at each site, if possible, where a petty cash/change fund is located. The accounts payable division will then be responsible for maintaining a list of current authorized custodians for each department.</p> <p><b>Implementation Date:</b> 2/5/2016  <b>Responsible Party:</b> Linda Daquil/RayOxendine</p>	<p>Collections confirmed custodian names for each department 11/28-12/2/16 and maintains an updated list as stated in Policy #313, Section 2.</p>
5	Monies designated for petty cash and change funds should be kept such that they are secure from theft and loss. In addition, each custodian should review the roles and responsibilities of custodians periodically and be aware of the responsibilities assigned to them.	<p>We concur. Management is in full agreement with the recommendation. The Treasurer will work with departments to ensure all monies are kept secure as recommended in each department.</p> <p><b>Implementation Date:</b> 1/29/2016  <b>Responsible Party:</b> Linda Daquil/RayOxendine</p>	<p>Unannounced visit 12/1-2/16 to 20 P&amp;R centers confirmed monies were kept secure with 100% compliance. Policy #313 Section 2 states custodian will keep the change fund locked up at all times in a drawer or lock box, and secured in a locked area each night. Policy #313 was hand delivered to 20 P&amp;R sites 12/1-2/16 and emailed to all custodians and supervisors 12/8/16.</p>

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2016 - 2017 (2nd Quarter)**

<b>KEY</b>	<b>Not Implemented</b>	<b>Partially Implemented</b>	<b>Implemented</b>
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<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response - January 17, 2017</b>
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<b>6</b>	<p>A periodic review of all petty cash and change funds should be done to determine if the need for the fund still exists.</p>	<p>We concur. Management is in full agreement with the recommendation. The responsible party and frequency of review will be outlined in the policy. In the interim, the Treasurer will contact the Police, Fire, Airport, Parks and Recreation and Environmental Services Departments to determine whether any of the noted petty cash funds can be reduced or eliminated.  <b>Implementation Date:</b> 2/12/2016  <b>Responsible Party:</b> Linda Daquil/RayOxendine</p>	<p>A review of all change funds was conducted 11/28-12/2/16. Findings were that Airport plans to relinquish its \$200 petty cash fund and Mazarick Park its \$75 change fund. McLaurin plans to reduce the Franklin St. Parking Deck Change Fund by \$500 to \$1200, following procedures outlined in Policy #313 Section 1. Seabrook Pool deposited and closed its \$50 change fund on 9/7/16. One journal entry will be made for all 4 balance changes to update the General Ledger.</p>
<b>7</b>	<p>The general ledger should be updated to accurately reflect the balances held in petty cash and change funds by each department.</p>	<p>We concur. Management is in full agreement with the recommendation. The Treasurer will work with the departments to resolve discrepancies and journal entries will be posted to reflect the appropriate petty cash/change fund balances by category and department.  <b>Implementation Date:</b> 2/5/2016  <b>Responsible Party:</b> Linda Daquil/RayOxendine</p>	<p>Journal entries to update Change Funds and Petty Cash Funds to correct amounts were posted 2/4/16. Attachment Journal Entries As of 12/8/16, JDE not implemented for planned change fund /petty cash fund revisions, as all 4 changes have yet to be implemented. Journal entries to update four change fund/pettycash fund balances will be posted for relinquishment/reduction at Seabrook Pool (close \$50 change fund &amp; deposited 9/7/16), Mazarick Park (planned close of \$75 change fund), Airport (planned close of \$200 change fund), and Franklin St. Parking Deck (planned reduction of change fund by \$500 to \$1,200) when the departments complete the reduction/closing procedure as outlined in Policy #313.</p>
<b>8</b>	<p>An ordinance should be adopted by City Council to bring the City's policy of using petty cash funds in compliance with the North Carolina General Statutes.</p>	<p>We concur. Management is in full agreement with the recommendation. The Accounting Manager, with the assistance of the City Attorney's Office, will develop a proposed ordinance for Council consideration.  <b>Implementation Date:</b> 2/8/2016  <b>Responsible Party:</b> Linda Daquil/RayOxendine</p>	<p>Ordinance No. S2016-001, §1.2-22-2016: Code of Ordinances, Chapter 2 Administration, Article III, Legal &amp; Fiscal Authority, Sec. 2-67 Utilization of Petty Cash Funds, became effective 2/22/2016. The ordinance enables the City to use petty cash funds to pay for authorized items under \$125 in total with department head or designee approval. Attachment Ordinance</p>

**A2015-03 - Performance Audit Procurement Card**

<b>1</b>	<p><b>A.</b> Strengthen the approval and monitoring process for p-card activity. An approving official (if other than the department head) should be assigned to each cardholder and should be in a managerial or supervisory position with respect to the cardholder. Personnel performing the review function should also have a good understanding of departmental account coding. A satisfactory review should include a manual review of p-card receipts and other supporting documentation, with emphasis placed on compliance with all applicable procedures and guidelines. In addition, Finance Department review should ensure the appropriate approving official signature is present on each statement.  <b>B.</b> Mandate initial and refresher training for both cardholders and approving officials. Training of cardholders, approving officials and the Procurement Program Administrator must be ongoing and mandatory. Individual cardholders and approving officials should be required to attend initial training prior to issuance of p-cards and refresher training at prescribed intervals. Participation in training should be documented.</p>	<p>We concur. Management is in full agreement with the recommendation A and B. Management will revise current procurement card policy to address specific identification as to who approves expenditures for legitimacy, in addition to, the regular departmental accounts payable approver and their respective review processes. Historically initial training has been required. The policy changes will also address continuing education and training requirements for: card holders, legitimacy approvers, departmental accounts payable approvers, as well as Finance's accounts payable staff.  <b>Implementation Date:</b> 4/29/2016  <b>Responsible Party:</b> Michael Mitchell/Kimberly Toon/Ray Oxendine</p>	<p><b>1A.</b> Per Procurement Card Policy #312, 05/18/16, Department Director/designee must review &amp; sign off on all departmental procurement card transactions to validate that the transactions are approved for City business and does not violate any City Policy. A 2nd department director approved designated approver (typically accounts payable approver) must review for appropriate documentation and proper expenditure account code.  <b>1B.</b> Policy #312 states proposed cardholders must attend an orientation training prior to receiving the procurement card. Continuing education training is required. The recommended refresher course consists of viewing the training video and signing an attestation form. The individual attestation forms will be maintained by each department, and must be completed by 12/31 each year.</p>
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<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response - January 17, 2017</b>
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2	<p>Consistently record transactions using a method that captures relevant transaction data and documents the intended business purpose. The business related purpose of each purchase should be documented to provide accountability. Adequate documentation should be prepared and retained which supports the nature and business related purpose of transactions. The business need as well as a case for best business practice should be communicated with the Procurement Program Administrator so that concessions can be made to accommodate the business needs of each department.</p>	<p>We concur. Management is in full agreement with the recommendation. Management will be working with departments to ensure that all required support documentation is included when procurement card invoices are submitted. This will include keeping original receipts intact and making copies of originals if fading or smudging is a concern. Management will implement a procurement card log that will aid the users and approvers with the requirements of the amended policy. The log will contain a description line, a check off box for receipts, and signature lines for approvals.  <b>Implementation Date:</b> Immediately  <b>Responsible Party:</b> Michael Mitchell/Kimberly Toon/Ray Oxendine</p>	<p>Per Procurement Card Policy #312, 05/18/16, procurement card log (Attachment D) must be submitted with each procurement card's monthly approval packet. This log is a repository for all required approvals and serves as a summary of all the information needed by the Finance Department for processing.</p>
3	<p>The Chief Financial Officer along with the Procurement Program Administrator and Department Heads should coordinate to update and clarify the City of Fayetteville Procedure for Procurement Card Expenditures. City of Fayetteville Procurement Card Program Policy #312 was drafted effective April 21, 2015. The City should continue to work with departments to refine the policy, and monitor and review pcard activity should also be continued. The policy should be updated to include a requirement for all cardholders to attach documentation of IT approval for all relevant technology purchases. Similarly, documentation should be required showing Department Head approval for any furniture purchases. Any violations would be referred to the Chief Finance Officer, the Chief Information Officer and/or the Department Head.</p>	<p>We concur. Management is in full agreement with recommendation. The policy recommendation will be in conjunction with Management Response #1  <b>Implementation Date:</b> 4/29/2016  <b>Responsible Party:</b> Michael Mitchell/Kimberly Toon/Ray Oxendine/Finance Staff</p>	<p>Procurement Card Policy #312, revised 05/18/16, to reflect recommendations.</p>

**A2016-04 - Title and Registration**

1	<p>The Office of Internal Audit recommends the Finance Department develop and document policies and procedures to provide proper guidance on title and registration processes, and make these policies and procedures available to all personnel involved in the process to ensure compliance.</p>	<p>We concur. Management is in full agreement with the recommendation. Management will revise the existing procedural documentation to provide clarity and to include the annual renewal process. In conjunction with the revised procedures management will develop a policy to be reviewed and approved by SMT and City Manager.  <b>Implementation Date:</b> 5/31/2016  <b>Responsible Party:</b> Christine Pressley/Ray Oxendine</p>	<p>Accounts Payable created a 12-step procedure for Processing Vehicles and a 6-step procedure for Yearly Registration Update. The Processing Vehicles procedure details the procedure from paperwork receipt from PWC, MVRI creation for each vehicle, MVR619 creation for permanent plates, MVR 615 forms, notarization, copies, DMV interaction, to final filing. The Yearly Registration Update explains the procedure from registration renewal receipt in the mail, to spreadsheet updates, email transmission to PWC fleet personnel and police, and completion of renewal by expiration date. This policy is available in the SOP folder under Finance, Accounts Payable. Attachments Policy Vehicle and Yearly Registration Update.</p>
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**2016-02A Permitting and Inspections**

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2016 - 2017 (2nd Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented
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Recommendation	Management Response	Management Follow-up Response - January 17, 2017
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1	<p>Permitting and Inspections management should perform a self-assessment of internal controls. Once risk areas are identified, steps should be taken to correct control deficiencies so departmental objectives are achieved and departmental responsibilities are met. Identifying risks and implementing control procedures will not protect assets and produce reliable information if personnel are not following established procedures. To ensure that controls are effective, Permitting and Inspections management should regularly review available documentation to confirm controls are being executed as designed. All documentation should be reviewed and signed off on by a supervisor to ensure completeness and accuracy. In addition, the self-assessment of internal controls should be performed periodically to address additional control deficiencies as they arise.</p>	<p>We concur. Management is in full agreement with the recommendation. Workflow processes will be mapped and application-specific permitting procedures will be identified and placed in a checklist format that will be included in a manual of standard operating procedures. Weekly testing by the Building Official, Inspection Supervisors, and the Senior Administrative Assistant will be conducted and documented to identify any risk areas and to correct control deficiencies. Follow-up training will be provided in areas where control problems are identified. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i>  <b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Building Official; Senior Administrative Assistant</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline.</p>
2	<p>Written policies for the Permitting and Inspections Department should be developed to set forth requirements; to ensure consistency and reliability of information; provide adherence to laws and regulations, and include provisions for performance measure collection, calculation, review and reporting. The procedures should be updated and include sufficient information to allow an individual who is unfamiliar with the operations to perform the necessary activities. Policies and procedures should be revised to account for any changes in business processes. This is particularly important when new systems are developed and implemented or other organizational changes occur.</p>	<p>We concur. Management is in full agreement with the recommendation. A comprehensive review of the existing Standard Operating Procedures for both the Permitting and Inspections divisions is currently underway because of major adjustments to procedures and work flows resulting from a substantial effort to simplify procedures and to more fully implement Cityworks, including the scheduling and online permit application functions. Upon completion of the review and revisions, each division's procedural manuals will include step-by-step instructions and resources in order for existing and new staff to effectively perform their daily functions. This effort will take some time as it will require coordination with two vendors, in addition to multiple departments. Similarly, departmental policies will be developed in conjunction with this effort to govern issues identified in this Compliance Audit in Recommendations 1, 3 7, 9, 16, 20, 22, 26, 29, 31 and 32. The ultimate plan will be to expand this initiative to the inter-departmental level, with policies and procedures in place in order to provide consistent and positive customer service that is seamless across departmental lines. This will be pursued after the development of department policies and procedures and is not considered a direct response to this Audit. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i>  <b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Senior Administrative Assistant (for Permitting); Building Official (for Inspections)</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline.</p>

**Office of Internal Audit**  
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<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response - January 17, 2017</b>
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3	<p>Permitting and Inspections management should take specific measures to comply with records retention rules as governed by North Carolina General Statutes, North Carolina State Building Code; North Carolina Department of Cultural Resources Records Retention and Disposition Schedule, Fayetteville City Code, and City of Fayetteville Policies. Procedures should be outlined for retaining all supporting documentation and where the documentation will be kept taking into account records retention rules. Cityworks electronic files should be updated to include all available documentation not yet attached to a permit file within the system.</p>	<p>We concur. Management is in full agreement with the recommendation. A departmental policy has been drafted to provide clear guidance to all staff members with regard to relevant records retention matters. Documentation of records retention will be consistent with State law and City policy and will be managed by the Senior Administrative Assistant. Permission to utilize digital records as the primary method of retaining documents for building permit applications, building permits, construction plans, and associated correspondence will be sought from the NC Division of Cultural Affairs. Assuming permission is granted, hardcopy applications, plans, and correspondence will be retained in Permitting and Inspections Department files until testing confirms the security and accessibility of digital records in the Cityworks system and/or the records retention dates are exceeded. If permission is not granted by the NC Division of Cultural Affairs for digital records retention, hardcopy files will be retained in Permitting and Inspections Department files or in remote file storage in accordance with departmental policy. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i>  <b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Senior Administrative Assistant</p>	<p>Records Retention Draft Policy was created and is under review by the Interim Department Director.</p>
4	<p>To ensure compliance with the Fayetteville City Code, senior management should consider reorganizing the structure of the Permitting and Inspection and the Planning Services and Code Enforcement Departments so the Permitting and Inspections Director oversees all matters related to interpretation and enforcement of North Carolina State Building Code, to include (if applicable) zoning, building plan review, permits, inspections and code enforcement, as provided in the Fayetteville City Code.</p>	<p>We concur. Management is in full agreement with the recommendation. The NC Building Code must be interpreted by someone certified to perform such interpretations, but this training may not qualify the individual to manage the enforcement of City codes regarding code enforcement and zoning. We believe it is imperative that the management of these related functions should be centralized to enhance customer service but such centralization may not be best handled through the structure proposed by Internal Audit due to the complex nature of the various laws and codes. Once a determination is made regarding reorganization, the PCE Director will take responsibility for amending the City Code as needed to reflect the organizational structure as necessary. As of November 15, 2016, departmental personnel will coordinate all NC Building Codes through the City's Building Official. A review of the City's entire development review process will be conducted on the organizational structure and an implementation of the recommendation is anticipated to be completed in early 2017 with the FY18 budget.  <b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> City Manager</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline. Staff is working jointly with the City Attorney's Office to develop a comprehensive revision to Chapter 7 (Building Code) to address these issues. In the interim, staff is using the State Administrative Code to carry out its statutory duties where conflicts exist between the City Code and the State Building Code.</p>
5	<p>Permitting and Inspections personnel should ensure compliance with the Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-62(a)(1) Permits Required, by requiring a bond be posted at the time of demolition permit application. Additionally, the City Code should be updated to define the amount of the bond, whereas; currently the amount is defined as "good and sufficient". However, if Permitting and Inspections management determine bonding requirements for demolition permits are not required as provided in the Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-62(a)(1) Permits Required, then the Fayetteville City Code should be updated to reflect current requirements.</p>	<p>We concur. Management is in full agreement with the recommendation. The City Code provides for a requirement that is no longer generally needed. Small-scale demolitions are currently managed through contracts that require the contractor to carry liability insurance sufficient to cover any claims that result. We will propose revising the City Code to delete the bonding requirements except in unusual circumstances, such as where the structure to be demolished shares a common wall with another structure or for larger projects that go through the formal bid process.  <b>Implementation Date:</b> 4/30/2017  <b>Responsible Party:</b> Planning and Code Enforcement Director</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline. Staff is working jointly with the City Attorney's Office to develop a comprehensive revision to Chapter 7 (Building Code) to address these issues. In the interim, staff is using the State Administrative Code to carry out its statutory duties where conflicts exist between the City Code and the State Building Code.</p>

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<b>6</b>	<p>The Permitting and Inspections Department should ensure compliance with North Carolina General Statutes and the North Carolina State Building Code and create formal procedures for the certificate of compliance and certificate of occupancy process.</p>	<p>We concur. Management is in full agreement with the recommendation. While report creation is part of the Information Technology Department's top priorities for Cityworks "fixes," locking out the report is a customization that will require additional funding to complete. Information Technology has completed the process of watermarking the reports in question with a watermark that says INVALID if the report is printed before all the required inspections, payments, or documents are completed. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 11/30/2016 (workaround) TBD ultimate resolution  <b>Responsible Party:</b> Information Technology Information Manager</p>	<p>This recommendation has been partially completed to the extent the software will allow without additional expense. Cityworks was not designed to print based on the status of a permit or task. To accomplish this would require complex custom code developed by a third party. As of 11/30/2016 all certificates of occupancy/compliance that are printed prior to final inspections being completed at watermarked with the word INVALID across them.</p> <p>Staff is working jointly with the City Attorney's Office to develop a comprehensive revision to Chapter 7 (Building Code) to address these issues. In the interim, staff is using the State Administrative Code to carry out its statutory duties where conflicts exist between the City Code and the State Building Code.</p>
<b>7</b>	<p>The Permitting and Inspections Department should ensure compliance with North Carolina General Statutes and the North Carolina State Building Code and create formal procedures for the certificate of compliance and certificate of occupancy process.</p>	<p>We concur. Management is in full agreement with the recommendation. Management has reached out to the Supervisor of the Code Inspections Section of the Department of Insurance for clarification on this finding. Section 204.8 Certificate of Compliance of the Administration Code gives a guideline for issuing Certificates of Compliance and Certificates of Occupancy. The Inspections Department is meeting all requirements for the issuance of Certificate of Compliance for Electrical, Mechanical, and Plumbing by issuing a final sticker notice that is placed at the jobsite. We also meet the requirements for the issuance of the Certificate of Occupancy for the Building trade. The referenced General Statute was written in 1993 whereas the referenced code sections are updated every three years.</p> <p><b>Implementation Date:</b> 10/5/2016  <b>Responsible Party:</b> Building Official</p>	<p>This recommendation has been implemented effective October 5, 2016.</p>
<b>8</b>	<p>Update enforcement actions within Fayetteville City Code to ensure contractors comply with the North Carolina State Building Code.</p>	<p>We concur. Management is in full agreement with the recommendation. Management will recommend to the City Council that the City Code be revised to eliminate this section since privilege licenses are no longer required. The Inspections Department uses Section 204.10 Stop Work Orders of the Administration Code to ensure the contractors comply with the Building Code.</p> <p><b>Implementation Date:</b> 4/30/2017  <b>Responsible Party:</b> Planning and Code Enforcement Director</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline. Staff is working jointly with the City Attorney's Office to develop a comprehensive revision to Chapter 7 (Building Code) to address these issues. In the interim, staff is using the State Administrative Code to carry out its statutory duties where conflicts exist between the City Code and the State Building Code.</p>

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9	<p>Testing performed by Internal Audit in Cityworks revealed deficiencies, whereas, there were areas where Internal Audit was not able to determine compliance with laws and regulations. Therefore, Permitting and Inspections management should consider having a specialized audit of the Cityworks software to ensure the deficiencies revealed in Cityworks are remedied and will provide an adequate level of control, ensure processes are put in place to address controls in which Cityworks is unable to perform, and the software is utilized to its maximum efficiency. The Office of Internal Audit recommends Permitting and Inspections management review the permitting and inspections process to determine key personnel who will have the ability to override the Cityworks system setup by adding, modifying and deleting fees, inspections and permits within Cityworks. Prior to developing and implementing a process related to access controls, Permitting and Inspections management should assess Cityworks setup related to Permitting and Inspection fees and inspection workflows to ensure consistency with current practice while taking compliance to North Carolina General Statutes, the North Carolina Building Code and the Fayetteville City Code into consideration. Alignment of the required processes with the setup in Cityworks should mean that overriding Cityworks setup by adding, modifying and deleting is an exception and not the rule. Permitting and Inspections management should ensure Permitting and Inspections personnel read and understand the City of Fayetteville Policy # 114 Information Technology Appropriate Usage, and stress the importance of not allowing others to use their access, and protecting all passwords. In addition, written policies and procedures should be documented on how accesses will be requested, who will approve the access and how access will be removed when it's no longer needed.</p>	<p>We concur. Management is in full agreement with the recommendation. While a number of the aspects of this finding have been addressed, the Permitting and Inspections Department will seek assistance from the Information Technology department in order to fulfill this recommendation in its totality. In particular, Information Technology will work with all PLL user areas and Internal Audit Staff to ensure that the necessary controls and permissions are in place. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Senior Administrative Assistant (for Permitting); Building Official (for Inspections); PCE Director (for code changes); Information Technology Director; Assistant and Deputy City Manager</p>	<p>This will be addressed as soon as all the new case types are in place. Group level control configuration based on permit type is proposed.</p>
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10	<p>Internal Audit recommends a work quality review program be developed and an adequate number of appropriate quality reviews of all permits and inspections be conducted in a timely manner. Documented results should be maintained and utilized as measures of effectiveness during performance evaluations.</p>	<p>We concur. Management is in full agreement with the recommendation. The Senior Administrative Assistant will collect samples of work of a variety of permits issued by the Permitting Technicians on a quarterly basis. The reviews will be to ensure that the Permit Technicians are applying the requested work via the permit application within the generated permit issued by the technicians. The review of fees will also be observed ensuring that fee calculations are correct and applied to the proper revenue account. The Senior Administrative Assistant will also conduct monthly reviews of the cash drawers by randomly choosing dates, and times, to count down cash drawers of Permit Technicians that carry out an open cash drawer. A report of such reviews will be created to serve as backup for future auditing purposes. The Building Official has adjusted Inspections Supervisors workloads to allow for field-checking for work performed by subordinate inspectors. Until Cityworks can be configured to track and report on these field-checks, the Building Official will instruct the Inspections Supervisors to document the inspections which have been checked in a spreadsheet format. Additionally, Inspections Supervisors are providing one-hour weekly training sessions for subordinate personnel (non-inspector personnel also attend these sessions; see management response to Recommendation 13.) <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 11/30/2017  <b>Responsible Party:</b> Senior Administrative Assistant (Permitting); Building Official (Inspections)</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline.</p>
11	<p>The Permitting and Inspections Department should establish measurable and achievable performance goals and service standards. Permitting and Inspections management should establish formal processes to collect performance information and provide adequate training to ensure accurate input of the data used to quantify each performance measure. Once appropriate performance information is available it should be used to better inform management for decision-making and should also enable the Permitting and Inspections Department to better manage its operations and determine the appropriate balance between service level and resources.</p>	<p>We concur. Management is in full agreement with the recommendation. The Building Official is working with Information Technology's project manager and our Cityworks vendors to develop an accurate and efficient system for gathering reporting information. This information may require adjustment to ensure that accurate, obtainable, and reliable information is measured and that this information represents appropriate performance measurement and service standards. Once these reports are installed in Cityworks, we will be able to analyze workload efficiency and effectiveness performance measures to utilize in management and reporting. The Strategy and Performance Analytics Office will be utilized as a resource moving forward. This initiative is part of Information Technology's priority project list. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Senior Administrative Assistant (for Permitting); Building Official (for Inspections)</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline.</p>



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12	<p>The Office of Internal Audit recommends Permitting and Inspections management consult with Information Technology personnel to review the impact on Cityworks regarding this instance and any other changes made by the 2015 update. Any data integrity issues should be reviewed to determine if any data needs 'cleaned' and fix any 'clean up' considered necessary.</p>	<p>We concur. Management is in full agreement with the recommendation. This will require a great deal of input and assistance from Information Technology. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> IT Project Manager</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline. Timmons and IT will design a comprehensive regression test framework that P&amp;I will populate in order to determine data integrity issues that may be the result of software upgrades.</p>
13	<p>While inspector training may be driven by certification requirements, non-inspector personnel training needs are not. Conduct a personnel training assessment and develop or provide training opportunities to meet the needs identified. Permitting and Inspections management should dedicate the appropriate resources and time to ensure proper training for department personnel. An important part of any training program includes basic product knowledge. Each member of the department should be familiar with the services offered in order to competently satisfy customer needs by providing accurate information and good customer service. Training should also include an understanding of the entire permitting and inspections process and how activities in each area of the Permitting and Inspections Department affect actions taken in other areas both within the department and across other departments. In addition, formal training on the Cityworks software program should be instituted to provide familiarity with the system.</p>	<p>We concur. Management is in full agreement with the recommendation. Training for non-inspector personnel will consist of the following training types, to be implemented as funding and operational considerations allow:</p> <ul style="list-style-type: none"> <li>• Annual training conducted by the Building Official regarding the administrative requirements and standards of the North Carolina Building Code.</li> <li>• Non-inspector personnel currently participate in the weekly one-hour training of inspectors by the Inspections Supervisors.</li> <li>• Periodic non-inspector personnel "ride-alongs" with inspectors to establish familiarity with the practical challenges of construction inspection from the perspective of certified inspectors.</li> <li>• Formal training in the administration of construction permitting through the Certified Permit Technician coursework developed by the NC Department of Insurance.</li> <li>• Continuation of prior training in customer service "soft skills" provided by an outside consultant chosen by the Interim Department Director. In the prior training, each staff member was provided an "Inspector Skills" training guide booklet and a study guide questionnaire. Upon completion of the questionnaire, the consultant held employee training of both inspectors and permitting staff on the related materials.</li> <li>• Cityworks-specific training in the form of online courses, on-site training, and webinars offered by the software integrator and the software developer.</li> <li>• Annual review of relevant City and departmental policies conducted by the Senior Administrative Assistant.</li> <li>• Personnel from the State Licensing Board can be requested to provide periodic training on licensing issues.</li> <li>• The Building Official is compiling a portfolio of photographs illustrating various inspection types that will be used to help familiarize non-inspector personnel with different inspection types.</li> </ul> <p><i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Interim Permitting and Inspections Director</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline.</p>

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14	<p>Permitting and Inspections management should identify the kinds of reporting information needed in order to adequately track and assess the efficiency of the permitting process. Internal Audit recommends Permitting and Inspections management work with the Information Technology Department and/or the software developer to improve standard reports that can be used on an ongoing basis to ensure the information needed to manage the permitting and inspections processes will be available to those charged with the responsibility.</p>	<p>We concur. Management is in full agreement with the recommendation. We will perform a comprehensive review of existing policies and procedures and make the necessary adjustments to comply with the purpose and intent of this audit. Reporting will be a component of this initiative. Reporting is part of the Information Technology Department's priority "fix" list. As modifications to the case types, workflows, and data groups are complete, we will be able to develop the necessary reports for daily and management use. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Information Technology Project Manager</p>	<p>IT has been working with P&amp;I to create new report as necessary as well as modifying existing reports to reflect the need of the department. IT will baseline the reports upon completion of the Top Ten list and provide departmental SME /Cityworks Administrator Report Writing Training.</p>
15	<p>The Office of Internal Audit recommends Permitting and Inspections management collaborate with all departments involved in the City's permitting and inspections process to develop routine customer training sessions to be held at least annually. These sessions should, at a minimum, cover information within the entire permitting and inspections process which cause the most customer confusion, such as re-inspections and frequently asked questions. In addition, any new laws, regulations, and requirements should be included in the training sessions.</p>	<p>We concur. Management is in full agreement with the recommendation. We will coordinate with other departments to establish a program of customer training sessions. There are a variety of existing models to choose from in implementing customer training, including webinars, presentations before trade or homebuilders organizations, and online tutorials to help train our customers. Some of the timing for this initiative will depend upon when the Public Portal and plan review software is implemented by Information Technology. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Interim Permitting and Inspections Director</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline.</p>
16	<p>The written policies and procedures recommended in Finding 2 should include practices for closing or otherwise terminating permits that have been abandoned past a certain time threshold as such jobs may require the project to comply with newer, safer building codes and would help protect the public safety. Permitting and Inspections management should continue working with the Information Technology Department and the software developer to implement changes that would update a permit status as it is moved through permitting and inspections processes. Once these changes have been completed and thoroughly tested, the impact on historical information that may occur should be assessed before implementing such changes.</p>	<p>We concur. Management is in full agreement with the recommendation. The Information Technology Department is currently working on implementing an automated expiration process for permits that have not received an inspection within six months or that exceed the expiration date after issuance of the permit. Until the automation of expiring permits is implemented, the Permit Technicians are able to query a report to manually expire permits, as well as, export an excel report capturing the number of cases that were manually expired per Permit Technician. The Senior Administrative Assistant will draft a written procedure and policies as set forth in the recommendation and for compiling data for performance measuring purposes. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 11/30/2017  <b>Responsible Party:</b> Senior Administrative Assistant</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline.</p>

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17	<p>Allowing permits to expire should not be an easy method to avoid inspection and circumvent established controls. Permitting and Inspections management should establish controls to ensure failed inspections are followed to conclusion so the permit holder and/or contractor seek and receive final approval of the project. The Cityworks software should be configured to automatically expire permits based on specific criteria. A risk assessment should be prepared before permits within Cityworks are automatically expired, whereas, implementing this program could have a significant impact on permits. A report should be created and run at some stated interval to resolve expired permits and impose a terminal status of EXPIRED. Some consideration should also be given to sending a notice to the permit holder advising of the expiration of the permit due to lack of activity and giving the permit holder an opportunity to respond. Permitting and Inspections personnel should ensure compliance with the Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-68, Time Limitations on Validity of Permits, by expiring permits 60 days from issuance if the work authorized by the permit has not been commenced or update the Fayetteville City Code to be consistent with the North Carolina State Building Code requiring the time limitation for a permit to expire as six months after the date of issuance if the work authorized by the permit has not been commenced.</p>	<p>We concur. Management is in full agreement with the recommendation. Cityworks procedure changes are necessary to effectuate compliance with this finding. Permits that have not had an inspection within 6 months will be automatically expired and the status changed to Closed - Expired. An email will be sent to the applicant 30 days prior to the expiration and then again up on expiration. If a permit has had at least one inspection, the permit expiration will be extended for 12 months in keeping with the NC Building Code. This feature is currently in test and will be moved into production shortly. Staff will propose revisions to the City Code to ensure compliance with the NC Building Code. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i>  <b>Implementation Date:</b> 4/30/2017  <b>Responsible Party:</b> IT Project Manager for permit expiration notices; Planning and Code Enforcement Director for changes to City Code.</p>	<p>As of 11/1/2016, Permits follow the city code and expire accordingly; in addition, 30 days prior to the expiration an email notice is sent to the contractor/owner notifying them that their permit will expire in 30 days and to call the city. On the day the permit is expired an email notice is sent to the contractor/owner notifying them that their permit has expired and to contact the city. Staff is working jointly with the City Attorney's Office to develop a comprehensive revision to Chapter 7 (Building Code) to address these issues. In the interim, staff is using the State Administrative Code to carry out its statutory duties where conflicts exist between the City Code and the State Building Code.</p>
18	<p>Permitting and Inspection management should coordinate with the Information Technology Department and/or the software developer to develop controls within Cityworks to verify the correct PIN is present on permit records. Should Cityworks not have this capability, Permitting and Inspections management should develop mitigating controls to ensure the validity of PIN's during the review and approval process for permit applications. In addition, Permitting and Inspections management should develop a process for consistent and accurate input of address information and work with the Information Technology Department and/or the software developer to fully integrate the GIS mapping function within Cityworks. In the interim it may be beneficial to enter information in the "Notes" section of a permit to indicate that the address will not match the County records and why. Thorough testing of all upgrades should be performed to ensure the product is performing at an acceptable level to achieve departmental goals.</p>	<p>We concur. Management is in full agreement with the recommendation. Cityworks procedure changes are necessary to effectuate compliance with this finding. Permitting and Inspections will require considerable assistance from Information Technology in the testing of Cityworks upgrades. This was an issue that was discussed during a December meeting and there was no clear resolution because the GIS Data that contains the PIN information is provided by Cumberland County GIS because the Register of Deed and the County GIS use different systems. The update from the Register of Deed to the County GIS is not always as timely as the city would like it. City and County GIS have been working together to resolve this, the city receives a nightly update from the county, and as long as the Register of Deed has updated County GIS then the City GIS and Cityworks will be correct. City GIS also has a GIS Road Map project to develop a collaborative GIS Environment with the county to help with this. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i>  <b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Chief Information Officer</p>	<p>This has been addressed and it currently being tested. There is also a larger project that is part of the GIS Roadmap project to develop a shared GIS environment with County and PWC that would ensure that the data is always current.</p>
19	<p>The Office of Internal Audit recommends Permitting and Inspections management review the existing Fee Schedule to determine whether enhancements would provide additional transparency and clarity for citizens and contractors. In addition, Permitting and Inspections management should ensure consistency among the permit application, Fayetteville City Code and the Fee Schedule.</p>	<p>We concur. Management is in full agreement with the recommendation. Management is currently reviewing the permit fees and the permit applications for all four trades. Once we have corrected our fee schedule and permit applications, we will write the policy and procedures to make sure all permits are accurately issued and valued.  <b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Building Official</p>	<p>P &amp; I department has restructured the fee schedule as it relates to permitting. This will correct several findings in the audit and will be presented to Council for their approval prior to the budget requirements.</p>

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<b>20</b>	<p>Permitting and Inspections management should determine if Cityworks has the capability to provide reports by subsidiary ledger for fees charged to customers, which could be used to reconcile to the City's general ledger. Permitting and Inspections management should develop written procedures which should be followed to ensure a documented reconciliation between the amounts billed/refunded in Cityworks and actual revenue posted in the general ledger is performed at regular intervals. The reconciliation should be completed with verification of the balances by a second authorized individual including initialing and dating reports to document a review and reconciliation was performed. In addition, Permitting and Inspections management should develop written policies and procedures to document the process and the importance of closing the POS register nightly. Once these processes are established, Permitting and Inspections management should ensure personnel are adequately trained on them.</p>	<p>We concur. Management is in full agreement with the recommendation. There is a lack of integration between the accounting software programs that the City uses that requires manual procedures to reconcile revenues across Cityworks, JDE, and the Point of Sale program. The reconciliation process of this report is completed by the Senior Administrative Assistant and, upon completion of the reconciliation, the Senior Administrative Assistant records her signature and has an employee unassociated with cash handling, approve the reconciliation report. The Senior Administrative Assistant will develop written procedures on the processes of this reconciliation procedure. The Permit Technicians have previously trained on the reset procedures of the Point of Sale cash drawers. A draft procedure on "Reconciliation Cash Drawers" has been prepared for review and approval by the Interim Permitting and Inspections Director. Compliance with these procedures will be included as a performance measure.  <b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Senior Administrative Assistant</p>	<p>This recommendation has been partially implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline. Sr. Admin. Staff has begun the reconciliation reports with completion of the months of Oct./Nov. and up to date on Dec. 2016. Partial completion of July/Aug/Sept. are underway.</p>
<b>21</b>	<p>Permitting and Inspections personnel should ensure, when submitting payment to the North Carolina Licensing Board on a quarterly basis, that correct amounts are submitted based on a reconciliation of information in Cityworks and the general ledger. Any Homeowner Recovery Fund fee refunds should be taken into consideration when completing the reconciliation.</p>	<p>We concur. Management is in full agreement with the recommendation. The Information Technology Department created a new Account Payables subsidiary code to capture the \$9 fee that is paid to the NC Licensing Board. The existing revenue account captures the remaining \$1 recognized as revenue. The recent segregation of the Homeowner Recovery Fee was implemented October 3, 2016. The Senior Administrative Assistant will continue to submit quarterly payments to the N.C. Licensing Board but, beforehand, the Senior Administrative Assistant will ensure that the payment is accurately reconciled amongst the Cityworks Revenue Report and General Ledger within JDE.  The same will apply to refunds. The Senior Administrator will ensure refunds of the Homeowner Recovery Fee are properly processed and applied to the appropriate fund accounts within JDE and revenue accounts with Cityworks.  <b>Implementation Date:</b> 10/3/2016  <b>Responsible Party:</b> Senior Administrative Assistant</p>	<p>The first quarter of FY17 (Jul-Sept) was reconciled back to the General Ledger successfully. However, the report designated for the Homeowner Recovery Fee is currently being reviewed by IT due to glitches. The reconciliation process occurred by using a "work-around" report in order to reconcile back to the general ledger. The Information Technology Department created a new Account Payables subsidiary code to capture the \$9 fee that is paid to the NC Licensing Board. The existing revenue account captures the remaining \$1 recognized as revenue. The recent segregation of the Homeowner Recovery Fee was implemented October 3, 2016.</p>
<b>22</b>	<p>Permitting and Inspections management should require, annually, all personnel who handle cash receipts to read the Cash Handling General Procedures and sign acknowledging receipt and understanding of the procedures. A formal written refund policy to provide guidance and direction on how to process refunds should be developed. In addition, Permitting and Inspections personnel should be trained on these policies. Permitting and Inspections management should ensure quality reviews are done for all cash receipt processes.</p>	<p>We concur. Management is in full agreement with the recommendation. The Senior Administrative Assistant provided Permit Technicians copies of the city's Cash Handling General Procedures. Each of the technicians received, reviewed, and signed the Cash Handling General Procedures Acknowledgement form. A copy of the Cash Handling General Procedures is readily accessible to the Permit Technicians and such policy will be reviewed and signed on an annual basis as recommended by the Finance Department. The Senior Administrative Assistant prepared a department Refund Procedures &amp; Policy. Upon review and approval by the Permitting and Inspections Director, the Senior Administrative Assistant will conduct mandatory training for all Permit Technicians in two weeks following the policy adoption. The Senior Administrative Assistant will conduct quarterly quality reviews of the issuance process which will include cash handling procedures. This process will begin the third quarter of FY17.  <b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Senior Administrative Assistant</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline.</p>
<b>23</b>	<p>Internal Audit recommends Permitting and Inspections personnel responsibilities be reassigned in order to achieve an effective separation between opening the mail and recording transactions. In addition, Permitting and Inspections management should consider checks being opened in dual custody to further strengthen controls. Additionally, Permitting and Inspections management should assess the Administrative Assistant's job description and determine if additional education, experience or knowledge related to internal controls is needed due to the supervision of cash handling functions and update the job description or position as deemed appropriate.</p>	<p>We concur. Management is in full agreement with the recommendation. Personnel duties will be defined to require the front line permit technicians assigned to permit issuance to record transactions, and daily dispatch permit technicians will have mail duties to address this issue. The Senior Administrative Assistant will supervise and ensure compliance. Management is reviewing a vacant Permitting and Inspections position against the recommendation and will request a study from the Human Resource Department. Once the study is complete, management will recruit for this position in November 2016.  <b>Implementation Date:</b> 9/30/2017  <b>Responsible Party:</b> Interim Permitting and Inspections Director</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline.</p>

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2016 - 2017 (2nd Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented
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Recommendation	Management Response	Management Follow-up Response - January 17, 2017
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24	<p>The Office of Internal Audit recommends Permitting and Inspections management work with the Information Technology Department to establish a process for security of faxed information. Such a process could include faxes being printed only when the appropriate security code is entered or having a dedicated fax machine for the Permitting and Inspections Department in a secure location with limited access. Permitting and Inspections management should ensure the faxes are destroyed in accordance with City's Administrative Policy # 311 - Security of Sensitive and Confidential Information and Breach Response Plan.</p>	<p>We concur. Management is in full agreement with the recommendation. The fax machine vendor programmed the Permitting Multi-Functional Device (fax machine) so permit applications received can only be printed by means of entering a security code. Faxes are secured within the device until the security code is applied. Permit Technicians and the Senior Administrative Assistant are only privy to such code, and if at any time the code may be breached, a new security code can be reassigned. The Finance Department provided the Senior Administrative Assistant a copy of the city's policy #311, Security of Sensitive and Confidential Information and Breach Response Plan. Each technician received, reviewed, and signed the Acknowledge form. The Senior Administrative Assistant also prepared a draft policy of a Security and Confidential Information for review by the Permitting and Inspection Director. Upon review and approval of the policy, the Senior Administrative Assistant will conduct mandatory training to all Permit Technicians within two weeks following adoption. The Senior Administrative Assistant will also conduct quarterly quality reviews of the Security and Confidential Information. Additionally, and in accordance to the Security of Sensitive and Confidential Information and Breach Response Plan, the Permit Technicians destroy (shred) faxes that contain confidential financial information following the completion of the issuance process of every permit.</p> <p><b>Implementation Date:</b> 9/30/2016  <b>Responsible Party:</b> Senior Administrative Assistant</p>	<p>This recommendation has been implemented effective September 30, 2016.</p>
25	<p>Consider implementing multi-trade inspections, specifically HVAC permits, to enhance scheduling flexibility, reduce drive times and improve response times. Additionally, Internal Audit recommends the appropriate inspector review all written applications as defined by NCGS and Fayetteville City Code, Chapter 7, Article III before a permit is issued.</p>	<p>We concur. Management is in full agreement with the recommendation. While report creation is part of the Information Technology Department's top priorities for Cityworks "fixes," locking out the report is a customization that will require additional funding to complete. IT has completed the process of watermarking the reports in question with a watermark that says INVALID if the report is printed before all the required inspections, payments, or documents are completed. We will coordinate with the Department of Insurance to determine the need for building inspectors to issue trade permits. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 11/30/2016 for the workaround. TBD for the ultimate resolution.  <b>Responsible Party:</b> IT Project Manager</p>	<p>This recommendation has been partially completed to the extent the software will allow without additional expense. Cityworks was not designed to print based on the status of a permit or task. To accomplish this would require complex custom code developed by a third party.</p> <p>As of 11/30/2016 all permits that are printed prior to being issued show in the permit a status of NOT ISSUED and a date of 01/01/0001. We will be adding a watermark to indicate that the permit is not to be use to start work. Users can use the Cityworks search and inbox to generate reports on expired permits. Staff is working jointly with the City Attorney's Office to develop a comprehensive revision to Chapter 7 (Building Code) to address these issues. In the interim, staff is using the State Administrative Code to carry out its statutory duties where conflicts exist between the City Code and the State Building Code.</p>

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26	<p>Internal Audit recommends Permitting and Inspections management review applications, the Fee Schedule and Cityworks, and ensure they are consistent with one another. In addition, Permitting and Inspections management should review all permit applications to ensure all necessary information is required on the applications, applications are clear, and assess whether any unnecessary information should be removed from the applications. Once the applications are updated and made available to the contractors/homeowners, their use should be enforced. In order to be in compliance with North Carolina General Statutes, Inspectors should issue permits. However, prior to permit issuance, Permitting and Inspections personnel should ensure permit applications are completed with all information necessary to calculate fees. If information on the application is unclear, Permitting and Inspections personnel should ask the applicant for clarification. Any updated information should be clearly documented for future reference. Permitting and Inspections management should establish a quality review process for the Permitting and Inspections Department. Due to the high volume of applications, the likelihood of finding an exception by spot checking is statistically low. Therefore, when establishing a quality review process, Permitting and Inspections management could consider exception-based reporting from Cityworks which could identify unusual transactions, such as a residential building permit without a homeowner recover fee charged. Policies and procedures should be written to provide clear guidance on accurate and consistent application of fees. Training should be given to Permitting and Inspections personnel to ensure understanding and adherence to policies and procedures.</p>	<p>We concur. Management is in full agreement with the recommendation. We will coordinate with the Department of Insurance to determine the need for building inspectors to issue trade permits. Staffing and workload issues may preclude quality control by inspection supervisors without additional resources as has been noted in responses to prior findings. Staff will work with Information Technology to see if exceptions can be identified for quality control purposes. Once these issues are resolved, policies and procedures will be developed and training conducted to ensure subordinate staff adherence to the policies and procedures. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Building Official; Senior Administrative Assistant</p>	<p>This recommendation has been partially completed as of January 17, 2017. Staff is working jointly with the City Attorney's Office to develop a comprehensive revision to Chapter 7 (Building Code) to address these issues. In the interim, staff is using the State Administrative Code to carry out its statutory duties where conflicts exist between the City Code and the State Building Code. Under current staffing it is permissible for the issuance of the trade permits by the Permitting Staff. We will be rewriting Chapter 7 to reflect that policy. When Permitting is at full staff, we will have procedures in place for the overview of all trade permits.</p>
27	<p>Internal Audit recommends the appropriate inspector review all written applications as defined by NCGS and Fayetteville City Code, Chapter 7, Article III before a permit is issued. This review should include the status of the contractor's license. Additionally, Internal Audit recommends Permitting and Inspections personnel establish and follow written procedures to ensure each contractor's license is valid when issuing a permit. Since permits expire December 31 each year and become invalid 60 days from that date unless renewed, Permitting and Inspections should establish and follow written procedures to ensure all general contractors with active permits still have valid licenses in March of each year. For any active permits determined to be issued to general contractors with invalid licenses, Permitting and Inspections personnel should establish written procedures to comply with NCGS 160-422 relating to the revocation of permits.</p>	<p>We concur. Management is in full agreement with the recommendation. The Planning and Code Enforcement Director will review the City Code and propose any modifications that are necessary to modernize and ensure consistency between the City Code, the NC Building Code, and departmental procedures and policies. Management has reached out to the Supervisor of the Code Inspections Section of the Department of Insurance for clarification on inspector issuance of permits. The Permitting and Inspections Department is meeting all requirements for the issuance of trade and building permits in our current practice. Management is currently reviewing the permit fees and the permit applications for all four trades. Once we have corrected our fee schedule and permit applications, we will write the policy and procedures to make sure the permit is accurately issued and valued. The Permit Technicians are currently following procedures of verifying contractors licenses prior to the issuance of permits. The Senior Administrative Assistant will draft a policy and procedures to ensure that this process is being validated. The Senior Administrative Assistant will complete monthly random quality control checks to ensure that this recommendation is followed through. In speaking with the North Carolina Licensing Board for General Contractors, they are looking into developing a Webservice with which we would be able to programmatically interface with in order to validate the contractor in real time. At this time there is no ETA for the availability of this Webservice. Such an arrangement with other trades is being explored. Currently Information Technology has investigated other methods of automatically validating the Contractor License, however, there would be additional funding needed to do this. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 9/30/2017  <b>Responsible Party:</b> Planning and Code Enforcement Director (code changes); Senior Administrative Assistant (procedures)</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline. Staff is working jointly with the City Attorney's Office to develop a comprehensive revision to Chapter 7 (Building Code) to address these issues. In the interim, staff is using the State Administrative Code to carry out its statutory duties where conflicts exist between the City Code and the State Building Code.</p>

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Recommendation	Management Response	Management Follow-up Response - January 17, 2017
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28	<p>Permitting and Inspections management should coordinate with the Information Technology Department and/or the software developer to develop controls within Cityworks to prevent creating duplicate permits. Should Cityworks not have this capability; Permitting and Inspections management should work with personnel within the department on mitigating controls to ensure duplicate permits are not being created. All permit applications should be reviewed by an appropriate level inspector before a permit is issued at which time, the inspector can verify that a duplicate permit is not being created.</p>	<p>We concur. Management is in full agreement with the recommendation. Cityworks cannot currently prevent the creation of duplicate permits, however, it will allow you to see all the existing permits, cases, service requests and work orders at a given address. Resolution of this issue is dependent on a vendor's schedule. Additionally, consideration should be given to distinguishing between a trade permit and a building permit with regard to the qualifications of the issuing authority. If inspectors have to sign off on all permits prior to their issuance, a significant resource issue will be created due to permit volume. If this is the direction of the Interim City Manager, we will produce a plan for implementation for consideration during the FY18 budget cycle. Information Technology is working with software developer to bring a Cityworks PLL trainer on site to provide specialized PLL training. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 11/15/2016  <b>Responsible Party:</b> Interim Permitting and Inspections Director and Information Technology Director</p>	<p>This recommendation has been implemented effective November 15, 2016. Cityworks is designed to create multiple permits at a single address or location. Proposed mitigation strategy is for permit techs to check all permits at a given address/location before creating a new permit to ensure that duplicate permits are not created. Information Technology is working with software developer to bring a Cityworks PLL trainer on site to provide specialized PLL training.</p>
29	<p>Procedures should be established requiring inspectors to document within Cityworks when the inspector reaches the location and the results of the inspection before going to the next assignment. Cityworks should be configured, if necessary, to facilitate this type of documentation. Training should be provided to improve inspectors' documentation, to establish parameters and guidelines and the use of laptops in the field to result the inspections.</p>	<p>We concur. Management is in full agreement with the recommendation. Permitting and Inspections has purchased laptop computers for all the field inspectors to eliminate the problem of limited or no connectivity in some areas of the City. Since that time, the inspectors have been trained and directed by management to log into Cityworks and do all of their inspection postings at the jobsite. Management is working with Cityworks to be able to have this measurable data extracted in several types of reports. This will give management valuable information that we will be able to use in determining if the department is adequately staffed. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Building Official</p>	<p>Inspectors are inputting their inspection results at the job site. This was accomplished when the inspectors were issued revolves which have better connectivity in the field.</p>
30	<p>Internal Audit recommends the Permitting and Inspections Department prohibit the practice of bypassing system controls by deleting and/or resulting inspections on the workflow as "NA". Quality reviews should be conducted by management to ensure all inspections are completed and resulted for each type of permit on the workflow. Cityworks workflows should be updated for each permit type to include only required inspections for that permit type.</p>	<p>We concur. Management is in full agreement with the recommendation. The inspections workflows are currently under modification. It is the intent to modify and simplify each of the workflows per permit type. Until this occurs, an "N/A" will be placed on inspections tasks not related to the inspection. The Permitting and Inspections department is working closely with the IT department as well as with Cityworks in order to address this issue. As we modify the case types and workflows additional security will be added which will prohibit the addition or deletions of task in the workflow. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Building Official</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline. IT is working with Permitting and Inspections and the Integrator to reduce the overall number of permit types and subtypes, streamline the permit workflows, data group as well as implement the ability for communications between the parent and child permits.</p>

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31	<p>Permitting and Inspections management should develop procedures to clarify expectations, including established start times and locations to begin inspections for the workday. The procedures should also give general guidance on how to conduct inspections. Once these procedures are established, Permitting and Inspections management should ensure personnel are adequately trained on them. The AVL technology should be fitted and fully operational on all Permitting and Inspections Department vehicles. This data should be used by management in conjunction with monitoring inspector output as a measure of overall productivity.</p>	<p>We concur. Management is in full agreement with the recommendation. The Permitting and Inspections Department will implement policies and procedures to ensure that inspections staff have clear and concise instruction regarding daily expectations, standards for training new staff, and policies as it relates to enforcement of the NC Building Code. The AVL systems are currently installed in all inspectors' assigned vehicles. The existing AVL system could not be permanently installed without voiding the manufacturer's warranty. Reporting is currently being addressed by the Information Technology Project Manager. The inspections staff will receive training on how to review and monitor the AVL system. Additionally, the real-time resulting of inspections will help confirm inspector location.</p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Building Official</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline. AVL Technology is fitted and operational on Permitting and Inspections Vehicles.</p>
32	<p>Permitting and Inspections management should develop procedures to ensure all permitted projects are inspected or permits are properly cancelled if the permitted work is not commenced.</p>	<p>We concur. Management is in full agreement with the recommendation. All full demolition permits are inspected by the Code Enforcement Division of the Planning and Code Enforcement Department. Cityworks has been modified to notify the contractor when a permit is about to expire. This modification reflects the standards of the NC Building Code with regard to permit expiration. A procedure will be developed in order to provide clear and concise instruction on how to post inspections once the permit is completed, voided, or expired. An amendment to the City Code will be proposed to reflect the standards of the NC Building Code with regard to permit expiration. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 11/15/2016, with the City Code Changes to occur in January 2017  <b>Responsible Party:</b> Senior Administrative Assistant (for Permitting); Building Official (for Inspections); PCE Director (for code changes and PCE policies and procedures)</p>	<p>This recommendation has been partially completed as of November 15, 2016 with the code change still left to do. Demolition permits have consistently been inspected by Code Enforcement. A new permit type has been created to facilitate this practice. To complete this recommendation, a code change will be needed. Staff is working jointly with the City Attorney's Office to develop a comprehensive revision to Chapter 7 (Building Code) to address these issues. In the interim, staff is using the State Administrative Code to carry out its statutory duties where conflicts exist between the City Code and the State Building Code.</p>
33	<p>Internal Audit recommends Permitting and Inspections management develop processes to ensure square footage and construction costs are validated prior to permit issuance and again prior to issuance of the certificate of occupancy/compliance. The process should include recording adjustments in Cityworks and collecting or refunding any fees based on these adjustments. These processes should be documented in written policies and procedures and personnel should be trained on them.</p>	<p>We concur. Management is in full agreement with the recommendation. We agree that enhancements can be made to better confirm fee calculations from various measures, however, the proposed redundancy is unnecessary as any deviations will be caught during the inspection process. We agree that adjustments to the Fee Schedule need to be made to simplify calculation procedures; this will require coordination with Information Technology, and such changes will be made at midyear, if possible, or proposed as part of the FY18 budget. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Building Official</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline. The square footage is verified by personnel in plan review and then by the building inspectors during their inspections at the jobsite.</p>

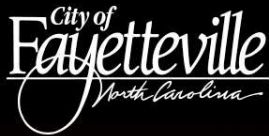


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34	<p>A formal written callback policy to provide guidance and direction on how to impose callback fees should be developed and communicated to contractors/home owners. In addition, Permitting and Inspections personnel should be trained on this new policy.</p>	<p>We concur. Management is in full agreement with the recommendation. Management is writing a formal callback policy. Once this policy is completed, we will modify Cityworks so that a callback fee will be automatically issued in accordance to the policy. Once this callback policy is completed, then management will notify the contractors and train the inspectors. <i>As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.</i></p> <p><b>Implementation Date:</b> 6/30/2017  <b>Responsible Party:</b> Building Official</p>	<p>This recommendation has not yet been implemented by January 17, 2017 but work continues to progress toward its implementation by the established deadline. There is a proposed change in the Fee Schedule that addresses the Callback fees. Once the new fee schedule is approved, then IT will program City Works with the new fees. A policy will then be written to reflect the new call back requirements.</p>
35	<p>Consider implementing multi-trade inspections, specifically HVAC permits, to enhance scheduling flexibility, reduce drive times and improve response times.</p>	<p>We concur. Management is in full agreement with the recommendation. The Permitting and Inspections Department is now performing multi-trade inspections for two permit types. One is the mechanical change out permit when the mechanical inspector inspects both the mechanical and electrical installations. The other is the gas water heater permit when the plumbing inspector inspects the water heater, vent piping and the gas piping. A policy and procedure will be written to ensure both permits are ready before the inspector goes on the inspection. Management also utilizes this cross training when a trade section is shorthanded. Out of a department of 18 inspectors, we have 7 inspectors who have more than one standard certification. Management hopes to expand this concept to more permit types as we get more inspectors certified.</p> <p><b>Implementation Date:</b> 10/1/2016  <b>Responsible Party:</b> Building Official</p>	<p>This recommendation has been implemented effective October 1, 2016.</p>



**Office of Internal Audit**

**Audit Committee**

January 26, 2017

3:30 pm

Presented by: Elizabeth Somerindyke, Internal  
Audit Director



**Internal Audit Agenda Items**

January 26, 2017 Audit Committee Meeting

1. Internal Audit Activities:
  - a. City-wide Travel and Training Audit January 2017 (A2017-01)
  - b. Quarterly Management Implementation Status Report



## City-wide Travel and Training Audit

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### City-wide Travel and Training Audit

Dated: January 2017



## City-wide Travel and Training Audit

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### Background

- Audit plan for FY17 approved the audit of city-wide travel and training
- City's policy to pay reasonable expenditures incurred when traveling for official City business
- Finance Department responsible for management and oversight of policy
- Department heads are responsible for managing departmental expenditures to support travel activities
- Fiscal year 2016 the City incurred \$907,986 in travel and training related expenditures



## City-wide Travel and Training Audit

### Background



## City-wide Travel and Training Audit

### Objectives

- Ensure expenditures were in compliance with relevant policies, procedures, laws, rules and regulations; and
- Departments managed and used resources in a cost-effective manner



## City-wide Travel and Training Audit

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### Scope

- Travel and training related expenditures incurred from July 1, 2015 to June 30, 2016
- Findings based on sample of transactions



## City-wide Travel and Training Audit

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### Methodology

In order to accomplish the objectives of this audit, the following steps and procedures were performed:

- Reviewed City policies, and State and Federal guidelines
- Selected a sample of travel and training related expenditures from 6 departments
- Reviewed travel related expenditures from JD Edwards, the City's financial system
- Interviewed employees in charge of processing travel expenditures



## City-wide Travel and Training Audit

### Summary of Findings and Audit Results

#### Finding #1

- Travel and training expenditures were not always in compliance with applicable policies

#### Recommendation #1

- Update the *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures*
- Develop a process to review and monitor travel expenditures
- Ensure employees understand all policies applicable to travel and training expenditures

Management response: Concur



## City-wide Travel and Training Audit

### Summary of Findings and Audit Results

#### Finding #2

- Resources were not always used in the most cost-effective manner

#### Recommendation #2

- Update the *City of Fayetteville Policy # 307 Employee Development, Training, and Travel Expenditures*
- Employee training specific to travel and training expenditures

Management response: Concur



## City-wide Travel and Training Audit

### Summary of Findings and Audit Results

#### Finding #3

- Sales tax was not always recorded correctly

#### Recommendation #3

- Update procedures to ensure North Carolina sales tax is recorded properly
- Provide adequate training on updated procedures to ensure accurate input of sales and use tax transactions
- Review FY17 sales and use tax transactions for proper coding
- Ensure out of state sales tax and other ineligible amounts are not included in the NC sales and use tax refund request

Management response: Concur



## City-wide Travel and Training Audit

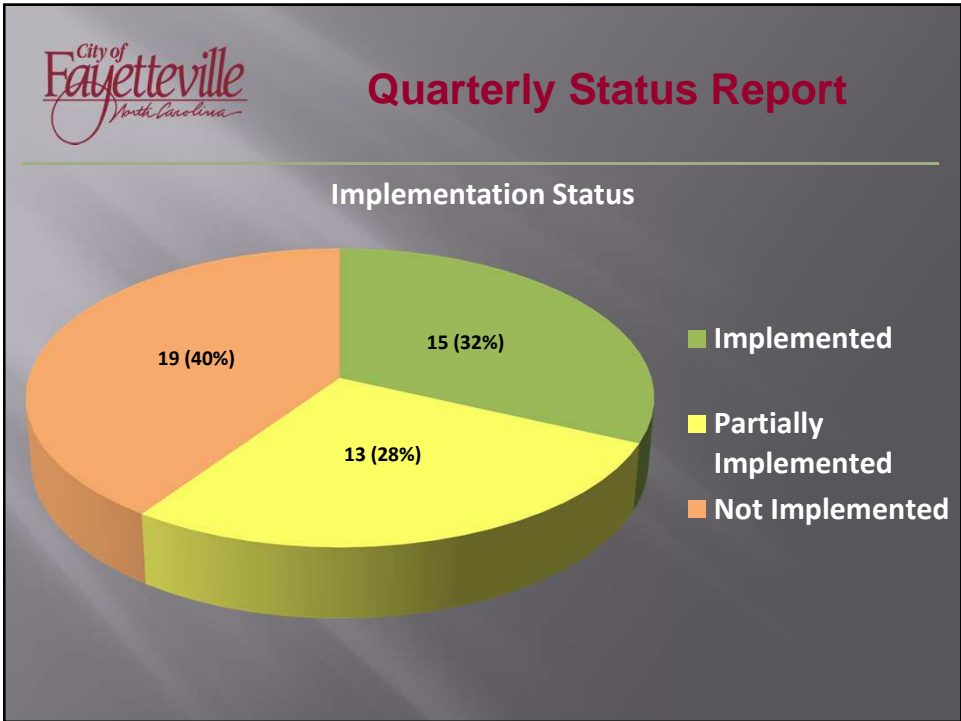
We ask the Audit Committee consider and accept the City-wide Travel and Training Audit A2017-01

*City of Fayetteville North Carolina*

## Quarterly Status Report

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### Quarterly Management Implementation Status Report





*City of*  
**Fayetteville**  
*North Carolina*

# Questions?

Thank You!



*City of*  
**Fayetteville**  
*North Carolina*

433 Hay Street  
Fayetteville, NC 28301-5537  
[www.cityoffayetteville.org](http://www.cityoffayetteville.org)  
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