



Audit Committee Meeting
April 27, 2017 @ 3:30 pm
1st Floor – LaFayette Room
433 Hay Street, Fayetteville, NC 28301

AGENDA

1. Call to Order
 2. Approval of Agenda
 3. Approval of Meeting Minutes
 4. Internal Audit Activities (*Presented by Elizabeth Somerindyke, Internal Audit Director*):
 - a. Police Department's Confidential Funds (A2017-02)
 - b. Unannounced Review of Petty Cash and Change Funds (AF2015-04)
 - c. Status Update on Current Projects
 5. City Code Amendments Related to Internal Audit Recommendations (*Presented by Scott Shuford, Planning and Code Enforcement Services Director*)
 6. Quarterly Management Implementation Status Report
 7. Adjournment
-

Attachments:

- a) Meeting Minutes – January 26, 2017 and February 23, 2017
- b) Police Department's Confidential Funds Report A2017-02
- c) Unannounced Review of Petty Cash and Change Funds Follow-up Report AF2015-04
- d) Quarterly Management Implementation Status Report – 3rd Quarter FYE17
- e) Internal Audit PPT – Audit Committee 4/27/2017

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Fayetteville, NC 28301-5537
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AUDIT COMMITTEE
LAFAYETTE CONFERENCE ROOM, 1ST FLOOR CITY HALL
433 HAY STREET, FAYETTEVILLE, NC
JANUARY 26, 2017 - 3:30 PM
QUARTERLY MEETING MINUTES

COMMITTEE

MEMBERS PRESENT: Mayor Nat Robertson, Chair (Via Telephone)
Pamela Jackson, Vice Chair
Council Member Bobby Hurst
Council Member Bill Crisp
Michelle Hall, Fayetteville Technical
Community College
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, Senior Administrative
Assistant
Cheryl Spivey, Chief Financial Officer
Michelle Thompson, Cherry Bekaert LLP
April Adams, Cherry Bekaert LLP
Jay Reinstein, Assistant City Manager
Michael Bailey, Interim Permitting Director
Dwayne Campbell, Chief Information Director
Scott Shuford, Planning and Code Enforcement
Director (Arrived at 3:53 P.M.)
Council Member Jim Arp (Arrived at 4:54
P.M.)

1.0 CALL TO ORDER

Dr. Pamela Jackson called the meeting to order at 3: 34 P.M. and welcomed everyone in attendance.

2.0 APPROVAL OF AGENDA

MOTION: Evelyn Shaw moved to approve the agenda
SECOND: Council Member Crisp
VOTE: UNANIMOUS (6-0)

3.0 APPROVAL OF AMENDED BY-LAWS

MOTION: Evelyn Shaw moved to approve the amended by-laws
SECOND: Council Member Hurst
VOTE: UNANIMOUS (6-0)

**4.0 APPROVAL OF MEETING MINUTES
October 20, 2016**

MOTION: Council Member Crisp moved to approve the October 20
meeting minutes
SECOND: Evelyn Shaw
VOTE: UNANIMOUS (6-0)

**5.0 PRESENTATION OF THE AUDITED FY 2015-2016 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)**

FURTHER INFORMATION CAN BE FOUND IN POWERPOINT

Ms. Spivey welcomed Michelle Thompson of Cherry Bekaert and invited her to present the results of the financial audit.

Ms. Thompson thanked everyone at the City of allowing her to be the audit partner and their assistance in the audit. She stated the City and PWC received an Unmodified Opinion. No audit adjustments or material weaknesses were found. The audit also included looking at Federal and State awards totaling \$41.9 million.

Ms. Spivey highlighted areas in the CAFR.

- Introductory section (page A1-A15)
 - Provides a list of Finance Department staff
 - Transmittal letter
- Financial Section (page B1-G6)
 - Independent Auditor Report
 - Management Discussion and Analysis
 - Basic Financial Statements and Notes
 - Notes describe what is in the statements
 - Required Supplementary Information
 - Pension and Retiree healthcare information
- Supplementary Information (page H1-P22) Not required, but provides further information for its readers
 - Individual Fund and Financial Statements and Schedules
 - Other financial and statistical data

Two major changes from the prior year include: PWC no longer reported as City Enterprise and Internal Service Funds; discretely presented component unit. Law Enforcement Officers Special Separation Allowance reported in the General Fund.

General Fund Available Balance

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

Entity-Wide Net Position not including PWC Fiscal Year end balance is \$528.9 million

Invested 31.4 Million in Capital Assets for Fiscal Year 2016. Major capital asset investments and contributions include:

- \$7.2 million on Streets
- \$6.6 million on FAST Center
- \$5.6 million on Recreation projects
- \$5.6 million on Airport improvements
- \$2.8 million on storm water drainage
- \$2.5 million General Government Project
- \$1.1 million public safety

The Committee was understanding that some of the \$5 million from the airport would be recuperated and is asking for verification. Ms. Spivey stated she will check on Airport improvement investments to verify if any costs were recuperated yet. Ms. Somerindyke stated that the City did receive over \$4 million from the Federal Aviation Agency (FAA) for reimbursements from two grants.

Long term obligation debts have decreased.

MOTION: Evelyn Shaw moved to receive the report and direct staff to present it to City Council
SECOND: Council Member Hurst
VOTE: UNANIMOUS (6-0)

6.0 REQUEST FOR SPECIAL MEETING ON FEBRUARY 23, 2017 FOR THE PURPOSE OF SELECTING AN INDEPENDENT AUDITOR (Requested by Cheryl Spivey, Chief Financial Officer for the City of Fayetteville)

Ms. Spivey stated the proposal is for three years, but state statute states only allowed to award yearly.

Ms. Shaw asked if the RFQ will come to the Committee prior to soliciting as presented in the October 20, 2016 minutes on page 3. Ms. Spivey stated there was an oversight since the solicitation has already gone out. The RFQ's are due January 27, 2016. The RFQ went out region wide, via the Internet and personal telephone calls. The current plan is to review and evaluate by Finance staff then give to committee, or just provide to the committee. Ms. Spivey is requesting direction from the committee. Mr. Hewett requested providing the evaluation form before the meeting on February 23, 2017.

MOTION: Evelyn Shaw moved the committee meet at February 23, 2017 at 3:30 P.M. in the Lafayette Conference Room for the purpose of evaluating received proposals
SECOND: Council Member Crisp
VOTE: UNANIMOUS (6-0)

7.0 INTERNAL AUDIT ACTIVITIES

7.1 City-wide Travel and Training Audit January 2017 (A2017-01)

Ms. Somerindyke stated City policy is to pay reasonable expenditures incurred when traveling for official City Business. The Finance Department is responsible for management and oversight of the policy. Department heads are responsible for managing departmental expenditures to support travel activities. The objective for the audit was to ensure expenditures were in compliance from July 1, 2015 to June 30, 2016 within a 10% sample.

Departments reviewed: Police Department, Transit, City Manager's Office, Information Technology, Economic Business Development and Community Development.

Summary

Finding #1: Expenditures were not always in compliance. This is sometimes due to the policy being unclear as well as lack of employee education of the policy.

- Employees were sometimes paid per diem for meals that were provided.
- Pre-authorization of certain travel expenses were not provided.
- Mileage sometimes paid from home to training destination instead of from place of work, in City-owned vehicles or privately owned/personal vehicles. State guidelines state mileage can be paid from home or work, whichever is less however, City policy states only from work.
- Final expense reports were not always found, which is required within 10 days of return from travel.
- Documentation was lacking with submitted final expense report.

Actual Cost versus Per Diem: Common practice in the City is actual costs for hotel and per Diem for meals and incidentals. This requires clarification.

Recommendation: Update policy # 307, develop review process and ensure employees understand policy. Mr. Hewett stated the policy update has been drafted, but not fleshed out. Ms. McDonald stated that management wants to be cognizant of updating the policy weaknesses, but also to incorporate examples so that the policy is easily read.

Finding #2: Resources were not always used in the most cost effective manner.

- Issues with multiple employees went to same training and hotel stays varied vastly.
- The policy states tipping only in a usual and customary amount.
- Excess weight and multiple baggage fees, the policy does not give clarification or address.
- Tickets were purchased for preferred seating, policy only states business first. Travel Agent fees, excess car rentals for one conference with multiple employees and late registrations.

Recommendation: Clarify policy and educate employees

Finding #3: Sales tax was not always recorded correctly. Out of state sales tax was coded for North Carolina. The City only gets reimbursed for North Carolina not out of state.

Recommendation: Provide adequate training. Update procedures to ensure North Carolina sales tax is recorded properly. Review FY 17 sales and use tax transactions for proper coding. Ensure out of state sales tax and other ineligible amounts are not included in the North Carolina sales and use tax refund request.

Implementation dates are different for each finding.

MOTION: Council Member Crisp moved to approve the City-wide Travel and Training Audit A2017-01

SECOND: Michelle Hall

VOTE: UNANIMOUS (6-0)

7.2 Quarterly Management Implementation Status Report

The updates are what has been provided by management on implementation. No assessment by Internal Audit to verify the implementation yet.

Finance

All recommendations have been implemented.

Permitting and Inspections

3: Implemented

13: Partially implemented

19: Have not been implemented

Mr. Shuford stated that progress is happening on all findings however, some require further work on programs prior to implementation. Some findings still need issues addressed with CityWorks before implementation can happen.

Mr. Hewett stated that some expenses are personnel related and have requested and are receiving reimbursement on expenses that are in policy violation and above reasonable means. Before employees are provided a procurement card, they must watch a video and take a short graded test. An option is to have one person per department as the subject matter expert for travel.

Mayor Robertson asked Mr. Hewett what the plans are for looking at the increase in travel and training costs from 2012 to 2016 and if it will be addressed in the budget. Mr. Hewett stated that it will be addressed. Possibly creating "training profiles". Council Member Crisp stated he wants City management to ensure that the increase in travel and training is justified when the citizens ask.

8.0 ADJOURNMENT

Next meeting is February 23, 2017 at 3:30 P.M.

There being no further business, the meeting adjourned at 5:27 P.M.

Respectfully submitted,

JENNIFER L. AYRE
Senior Administrative Assistant

NAT ROBERTSON
Mayor

012617

DRAFT

AUDIT COMMITTEE
LAFAYETTE CONFERENCE ROOM, 1ST FLOOR CITY HALL
433 HAY STREET, FAYETTEVILLE, NC
FEBRUARY 23, 2017 - 3:30 PM
SPECIAL MEETING MINUTES

COMMITTEE

MEMBERS PRESENT: Mayor Nat Robertson, Chair
Pamela Jackson, Vice Chair
Council Member Bobby Hurst
Council Member Bill Crisp
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Traci Carraway, Internal Auditor, Internal
Audit
Karen McDonald, City Attorney
Jennifer Ayre, Senior Administrative
Assistant
Cheryl Spivey, Chief Financial Officer
Kimberly Toon, Purchasing Manager
Dwight Miller, PWC Chief Financial Officer

1.0 CALL TO ORDER

Mayor Robertson called the meeting to order at 3:34 PM and welcomed everyone in attendance.

2.0 APPROVAL OF AGENDA

MOTION: Council Member Hurst moved to approve the agenda
SECOND: Evelyn Shaw
VOTE: UNANIMOUS (6-0)

**3.0 SELECTION OF INDEPENDENT AUDITOR
PRESENTED BY CHERYL SPIVEY**

City purchasing put out a request for proposals for an independent auditor to be the auditor for the City and PWC. There was not a requirement that one had to do both and open to who the firms wanted to propose. There were eight (8) total proposals received:

Carr, Riggs & Ingram, LLC
Cherry Bekaert
Elliott Davis Decosimo, PLLC
Rives & Associates, LLP
RSM
S. Preston Douglas & Associates
TPSA
W Greene PLLC

Each firm met minimum requirements to do local government audits and reporting to the local government commissions, being licensed CPA's in North Carolina, all have done local government audits in the past as well as had peer reviews done with a clean review report.

Six people were on the review committee from the City and PWC to include Dwight Miller, PWC Chief Financial Officer and Cheryl Spivey, City Chief Financial Officer who met and evaluated the firms.

Cherry Bekaert and RSM had the highest ratings from the review committee based on committee criteria.

Cherry Bekaert scored two points higher than RSM with a total of ninety (90) points. This is due to having a local office, will

use a local minority sub-contractor, familiar with operations. Total cost would be \$415,800.00

RSM scored slightly lower with eighty-eight (88) points. Will operate out of a New Bern office, will use a local minority sub-contractor but not familiar with operations of the City and PWC so will have a learning curve. Total cost would be \$340,900.000

Discussion ensued.

MOTION: Council Member Crisp moved to recommend to City Council the selection of RSM and local minority.

SECOND: Pamela Jackson

VOTE: 5-1 Hurst in opposition

4.0 ADJOURNMENT

There being no further business, the meeting adjourned at 3:54 PM

Respectfully submitted,

JENNIFER L. AYRE
Senior Administrative Assistant

NAT ROBERTSON
Mayor

022317

DRAFT



Office of Internal Audit

**Compliance Audit A2017-02
Police Department's Confidential
Funds**

April 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

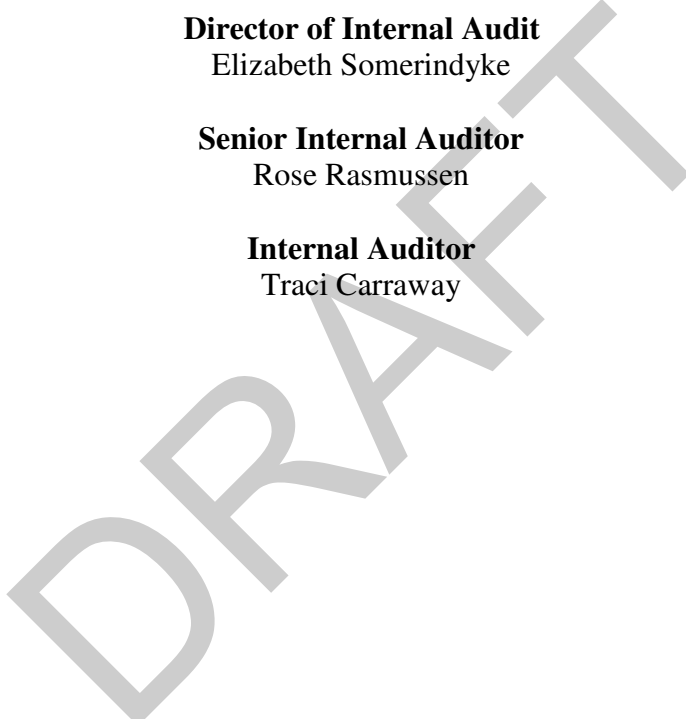


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<http://fayettevillenc.gov/government/city-departments/internal-audit>

Mailing Address: 433 Hay Street, Fayetteville, NC 28301

EXECUTIVE SUMMARY

The purpose of the audit was to evaluate compliance with the organization's policies and procedures; applicable laws, regulations and guidelines, and evaluate internal controls for the Police Department's confidential funds. In addition, the auditors reviewed to ensure corrective action was taken by management to address the recommendations detailed in the prior fiscal year audit reports.

The Office of Internal Audit reviewed use, security and maintenance of confidential funds for five of 40 (12.5%) personnel that utilized and/or maintained confidential funds for the period of July 1, 2015 to October 31, 2016. In addition, the auditors interviewed Police Department personnel involved in the administration, maintenance and use of the funds. The review also included the accounting records and documents pertaining to confidential funds.

The Office of Internal Audit concluded that the Police Department is generally in compliance with the organization's policies and procedures; applicable laws, regulations and guidelines and has adequate internal controls for the Police Department's confidential funds. However, Internal Audit could not substantiate corrective actions taken for the prior year finding identifying cash and evidence records were incomplete. The Office of Internal Audit will recommend an audit of Police Department cash evidence on the fiscal year 2018 audit plan for approval by the Audit Committee.

BACKGROUND

The Fayetteville Police Department's Special Investigation Division administers and controls an informant/expenditure cash fund. The units within this Division conducted covert operations and had an original annual budget for fiscal year ending June 30, 2016 of \$100,000. Allowable uses of this fund were to pay informants, purchase contraband or otherwise maintain and finance undercover or investigative operations approved by the Chief of Police or designee. By using these funds, the units were able to conceal their identity from criminals, vendors and the public.

The Narcotics Unit Lieutenant, within the Special Investigation Division, is the custodian for the cash fund. The custodian is responsible for the physical safeguarding of the cash in the fund, as well as assuring the money is used for authorized purposes. Separate ledgers are maintained by the Lieutenant and the Sergeants identifying all cash coming into the fund and all cash payments to personnel. All personnel sign a cash payment receipt (Form POL-518 – Receipt of Special Investigation Funds Narcotics Investigation Division) each time funds are spent or received.

AUDIT OBJECTIVES

The objectives of this audit were to determine if:

- Confidential funds were sufficiently administered in accordance with established laws, regulations, guidelines, policies and procedures;
- Proper internal controls existed and were working as intended to safeguard confidential funds from loss, theft or fraud;
- Expenditures and withdrawals from the funds were properly authorized, approved and recorded;
- Complete and accurate manual records were maintained for all deposits, withdrawals and other transactions affecting the confidential fund accounts;
- To the extent possible, that security provisions for automated records were operating to provide for separation of duties, data integrity and an audit trail; and
- Sufficient corrective actions were taken by management to address the recommendations detailed in prior fiscal year audit reports.

This audit was conducted pursuant to *Fayetteville Police Department Operating Procedure 5.8 Confidential Funds and Use of Informants* effective March 18, 2016 which states an audit of the confidential funds account will be conducted annually. Additionally, the audit was scheduled to be performed as part of the Office of Internal Audit's approved *Annual Audit Plan Fiscal Year 2017*.

AUDIT SCOPE

The scope of the audit included all current practices related to confidential funds. In addition, the audit period covered fund activity from July 1, 2015 to November 30, 2016, and fund balances as of December 7, 2016 to January 12, 2017 for the Fayetteville Police Department's Special Investigation Division.

AUDIT METHODOLOGY

To review compliance and ensure the adequacy of internal controls, Internal Audit compared applicable written policies, procedures, laws, regulations and guidelines against actual practices of the Police Department. Internal Audit also interviewed Police Department personnel involved in the administration, maintenance and use of confidential funds. Additionally, Internal Audit reviewed the accounting records and documents pertaining to confidential funds to include the Records Management System (RMS) and Power DMS. This review included RMS evidence records, and documentation related to the Police Department's annual evidence audit and unannounced evidence inspection.

RMS provides storage, retrieval, archiving and viewing of information, records, or files pertaining to Evidence and Property Management.

Through Power DMS, the Police Department can track and ensure all Police Department personnel have acknowledged receipt of documents, including new and/or updated operating procedures and other relevant documents. Reports from Power DMS were used to verify whether Police Department personnel involved in the administration, maintenance and use of confidential funds had acknowledged receipt of the most recent updates to operating procedures related to confidential funds.

For the period of July 1, 2015 to October 31, 2016, there were 40 personnel that utilized and/or maintained confidential funds. In order to conduct the audit, a sample size of five personnel (12.5%) that utilized and/or maintained confidential funds was judgmentally selected to ensure the sample allowed for diversity within the population. Based on this sample, the results can be projected to the entire population.

Below is a chart which summarizes the expenditures audited from the sample:

Audited Expenditures of Confidential Funds¹	# of Transactions	Amount
Payments to Non-Departmental Personnel	70	\$ 12,479.70
Purchase of Contraband	41	\$ 32,590.00
Special Investigative Expense	2	\$ 49.09
Total Expenditures Audited	113	\$45,118.79

¹Does not include "administrative transfer of funds". These are funds that are transferred from one officer to another and are not expenditures of the funds.

Below is a chart which reflects the fund balances at the time of cash counts:

Cash on Hand as of December 7, 2016 to December 8, 2016

<u>Personnel²</u>	<u>Amount</u>
Narcotics Lieutenant	\$ 8,285.00
Sergeant 1	1,681.21
Sergeant 2	1,740.00
Total	\$ 11,706.21

²Names were not used in this report, due to the sensitivity of undercover work.

AUDIT RESULTS (A2017-02)

Based on the audit work performed, the Office of Internal Audit concluded the Police Department's Special Investigation Division was in compliance with the organization's policies and procedures; applicable laws, regulations and guidelines, and adequate internal controls existed for the Police Department's confidential funds. There were no significant exceptions noted.

FOLLOW-UP AUDIT RESULTS (A2016-01 and 2015)

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in personnel levels, or management has decided to assume the risk.

Original Finding 1 (Report A2016-01)

Police Department operating procedures were inconsistent with actual processes and controls in practice.

A strong system of internal controls 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 the Police Department's operating procedures relevant to the handling of confidential funds. This included: Operating Procedure 5.2 – *Narcotics Unit* and Operating Procedure 5.8 – *Confidential Funds and Use of Informants*. Upon review of these operating procedures and interviews with Police Department personnel, the following observations were made:

1. Operating Procedure dated April 11, 2014, section 5.2.4.A states, "All requests for confidential funds will be made to and approved by the Narcotics Unit Lieutenant." This statement is not clear and leaves it open to the reader's interpretation. Based on this statement, Internal Audit expected to find prior approval of all expenditures by the Narcotics Unit Lieutenant. It was determined the Lieutenant reviews and signs off on the monthly reconciliation, but based on Internal Audit's review all requests for confidential funds were not made to and approved by the Lieutenant.
2. Operating Procedure 5.2.4.B.3 states that a monthly expenditure form will be submitted by each personnel to account for expenditures and will include *(1) informant's name* and *(2) subsequent law enforcement action*. During the audit of monthly reports submitted for confidential funds

transactions, Internal Audit was unable to determine which form the procedure referenced. Three of the forms have the same title – “Narcotics/Vice Suppression Unit Confidential Funds Monthly Report”.

In response to an Internal Audit request, it was determined the form listing the disbursement/expenditures for each transaction was the form referenced in the procedure. In reviewing these forms, it was determined that the informant’s number was used, not the name; and no subsequent law enforcement actions were listed. In addition, the procedure states that the case number should be included on the form. Of the 153 transactions reviewed which totaled \$54,843.60, there were 44 (29% of the transactions) totaling \$7,840.80 in which case numbers were not listed.

3. At the beginning of fiscal year 2014-2015, the Police Department purchased a software program called *NarcWorks* in an effort to streamline accounting for confidential informants, special fund management, case management and evidence/seized property management. In accordance with this purchase, Operating Procedure 5.8 was updated, and included procedures based on the implementation of this new software. However, it was determined the *NarcWorks* software would not perform at the level needed and usage of the software was abandoned.

An example of this was Operating Procedure 5.8.6 which states: “All payments made to informants will be documented in the software system on their informant file. Funds are automatically balanced with each entry made into the system real-time.” However, informant files were still maintained as paper documents. In reviewing the paper logs for 144 contraband purchases and confidential informant payments, Internal Audit noted 10 transactions (7%) totaling \$3,630.00 with incorrect or incomplete information on the logs as follows:

- Four transactions totaling \$740.00 were missing on the logs;
- Four transactions totaling \$1,500.00 were listed on the logs, but the receipt numbers were missing;
- One receipt number for \$40.00 was listed incorrectly for a transaction; and
- One payment of \$100.00 to a confidential informant and \$1,250.00 for the purchase of contraband in which the contraband payment was missing from the log.

Original Recommendation

The Office of Internal Audit recommends the Police Department update its operating procedures relevant to the handling of confidential funds and ensures all personnel comply with the written operating procedures.

Follow-up

The Police Department’s Operating Procedure 5.2 – *Narcotics Unit* and Operating Procedure 5.8 – *Confidential Funds and Use of Informants* were updated with an effective date of March 18, 2016. Based on these updates, the following observations were made:

1. In order to avoid conflict between Operating Procedures 5.2 and 5.8, management updated section 5.2.4 Confidential Funds. These updates now reflect the current business practice in which the supervisors are responsible for the daily confidential fund activity, but the Narcotics Unit Lieutenant holds overall accountability for the funds.
2. Section 5.2.4.B.3 was removed from the operating procedure and was replaced to refer readers to the Operating Procedure entitled *Confidential Funds and Use of Informants*. In addition, for clarity two of the three forms were retitled and assigned a form number, Confidential Funds Monthly Log (POL-414) and Confidential Funds Expenditure Report (POL-415).

The updated operating procedures reflect current practice and require the confidential informant assigned number instead of the confidential informant name and law enforcement

action taken rather than subsequent law enforcement action. In addition, the procedures were updated to state if there was no applicable case number or other available case or investigative information then “N/A” would be noted. In the sample reviewed there were 22 informant payment and contraband purchase transactions totaling \$9,020 which occurred after the procedure update, and the law enforcement action taken and the applicable information for the case number was noted on all transactions.

3. Since the *NarcWorks* software did not perform at the level needed and was abandoned, all references to the software were removed in the March 18, 2016 update to Operating Procedure 5.8 – *Confidential Funds and Use of Informants*.

In the sample reviewed there were 22 informant payment and contraband purchase transactions which occurred after the procedure update, whereas, sufficient documentation was present for all transactions.

Status of Recommendation

Implemented

Original Finding 2 (Report A2016-01)

Supervisory review and approval was not always documented.

Requiring supervisory review is an important step to ensure Police Department policies and procedures are being followed. During the audit, Internal Audit found 20 instances with missing signatures and two instances missing prior approval.

1. The Police Department’s Operating Procedure 5.2.4.B.4 states: “Each Narcotics and GGVU Sergeant will conduct a monthly audit and submit an expenditure report to the Narcotics Unit Lieutenant.” Internal Audit’s examination of monthly reports indicated a total of 20 instances in which signatures were not present on the monthly reports. The following missing signatures were found:
 - 14 approval signatures on forms used for listing disbursement/expenditure;
 - One personnel’s signature on the form used for listing disbursement/expenditure;
 - Four approval signatures on forms used for each personnel’s monthly reconciliation;
 - One personnel’s signature on the form used for each personnel’s monthly expenditure type breakdown.
2. Internal Audit identified two payments made to confidential informants without appropriate prior written approval. Management established limits for which prior approvals were needed, but personnel did not adhere to these limits. Without written approvals it is unclear whether management was consulted for these payments. See the payment details below.
 - One payment for \$1,000.00 was dated August 25, 2014. This payment was made prior to the December 3, 2014 update to Operating Procedure 5.8. Based on Operating Procedure 5.8 with revision date November 15, 2013, payments for information that exceeded \$500 per receipt should have been approved by the Chief of Police or his designee. Internal Audit found no such approval indicated for this payment.
 - The second payment was for \$1,000.00 and was dated April 29, 2015. This payment was made after the December 3, 2014 update to Operating Procedure 5.8 which states: “Payments will not exceed \$500 to an informant for information or \$5,000 per receipt for the purchases of contraband/narcotics unless approved by the Division Captain or above in writing prior to the expenditure. Payments for information in excess of \$800 for information and \$8,000 for contraband/narcotics must be approved by the Bureau Assistant Chief in writing prior to the expenditure. Payments in excess of \$1,000 for

information and \$12,000 for contraband/narcotics must be approved by the Chief of Police prior to the expenditure.” Internal Audit found no such approval indicated for this payment.

Since the approval limits were set forth in the Police Department’s operating procedures and recent updates had been made, Internal Audit requested a report from Police Department personnel showing if and when personnel acknowledged reading the updates to operating procedures 5.2 and 5.8. Based on an Internal Audit inquiry, the Police Department provided a Power DMS report dated November 4, 2015 which showed that the personnel in the audit sample and all personnel listed with responsibility for confidential fund safes acknowledged receipt of the revised Operating Procedure 5.2 between May 9, 2014 and June 6, 2014; as well as revised Operating Procedure 5.8 between December 31, 2014 and January 9, 2015.

Original Recommendation

The Office of Internal Audit recommends the Police Department ensure all personnel using confidential funds understand, are trained and adhere to the policies and procedures governing such use, including written prior approval limits and obtaining all appropriate approvals based on the Police Department’s operating procedures.

Follow-up

Based on the sampled transactions dated after the update to the operating procedures, it appeared supervisory reviews were being conducted to ensure Police Department policies and procedures were followed.

Status of Recommendation

Implemented

Original Finding 3 (Report A2016-01)

Proper segregation of duties was lacking.

Proper segregation of duties at the most basic level means that no single individual should have control over two or more phases of a transaction or operation. During the audit, five instances were found in which the supervising Sergeant signed as “witness” on the form titled “Receipt of Special Investigation Funds Narcotics Investigation Division”; approved the form that listed the disbursement/expenditures for each transaction; and also approved the form for the personnel’s monthly reconciliation. Responsibilities for actual transactions and approvals should be separated to ensure the accuracy and the integrity of records. A lack of separation of duties compromises the integrity of information, permits errors and omissions to go uncorrected, and opens the opportunity for possible fraudulent activity.

Original Recommendation

The Office of Internal Audit recognizes personnel limitations within the Narcotics Unit have not easily accommodated a proper segregation of duties. However, Internal Audit recommends the Narcotics Unit reassign personnel responsibilities in order to achieve an effective separation between confidential funds transactions and approvals of those transactions. Personnel independent of the transaction should approve any forms related to the transaction.

Follow-up

The March 18, 2016 update to Operating Procedure 5.8 – *Confidential Funds and Use of Informants* stated, “Any transaction involving a Sergeant (other than administrative transfer of funds) will be reviewed and signed by the respective unit’s Lieutenant on the Confidential Funds Expenditure form. This will provide a degree of separation from the Sergeant witnessing the payment and then reviewing the payment.”

Status of Recommendation

Implemented

Original Finding 4 (Report A2016-01)

RMS disposal records did not provide adequate documentation to account for transfers from the Evidence Room to the Narcotics Unit.

City management is responsible for establishing and maintaining a system of internal controls to ensure financial activity is accurately reported and reliable. During the audit of confidential funds (buy money) transferred from the Evidence Room to the Narcotics Unit, the auditors identified \$8,871.00 recorded in the Narcotics Unit financial records. A report was requested from Police Department Evidence Room personnel showing all confidential funds (buy money) released from the Evidence Room to the Narcotics Unit confidential funds custodian from July 1, 2014 to June 30, 2015. Evidence Room personnel presented the auditors with a disposal report titled "Fayetteville Police Department" with disposition dates from January 29, 2010 to May 8, 2015. In addition, the Narcotics Unit provided Internal Audit with two Chain of Custody Signature Forms; dated August 26, 2014 for \$2,156.00 and May 8, 2015 for \$6,715.00. The following observations were noted:

1. When comparing the Evidence Room disposal report to the Chain of Custody Signature Forms, there was \$6.00 reflected on the Chain of Custody Signature Form with the disposition date of August 26, 2014 but not on the Evidence Room disposal report. Based on an Internal Audit inquiry, Evidence Room personnel were not able to identify the reason the \$6.00 was not removed from evidence when the barcode was scanned and the funds were transferred to the Narcotics Unit. Therefore, the \$6.00 did not show as disposed in RMS until Internal Audit identified the error and Evidence Room personnel corrected the evidence records.
2. Internal Audit noted \$4,000.00 on the Chain of Custody Signature Form with the disposition date of May 8, 2015 but was listed on the Evidence Room disposal report with a disposition date of January 29, 2010. Based on an Internal Audit inquiry, Evidence Room personnel were not able to identify the reason for the inconsistency in the disposed date. Once Internal Audit identified the discrepancy the Evidence Room personnel corrected the evidence records.

Overall, the Police Department Evidence Room personnel did not verify if disposed property was recorded accurately into RMS. Standard operating procedures in place did not incorporate this control. Verifying disposed property within RMS would ensure accurate recording of evidence records for the Police Department. In addition, processes were not in place to ensure confidential funds (buy money) disposed and transferred from Evidence to the Narcotics Unit was being independently reconciled and reviewed.

Original Recommendation

The Police Department personnel should update operating procedures regarding the transfer of confidential funds (buy money) to/from the Evidence Room and RMS. The operating procedures should include management oversight independent of the confidential funds process to perform periodic audits of the transfers to/from the Evidence Room to ensure confidential funds are accounted for and reconcile to the Evidence Room records.

Follow-up

Police Department Operating Procedure 6.2 - *Evidence and Property Management* was updated effective March 18, 2016 to include procedures for disposal and transfer of confidential funds. Based on Internal Audit's review of confidential funds cash records, there were no transfers of cash from the Evidence Room to the confidential funds safe during the current audit period. Therefore, Internal Audit was unable to determine if the current practice and the policy update sufficiently addressed this recommendation. However, based on Internal Audit inquiry, the Police Department provided a memorandum proposing a process to require confidential funds to be released from the Evidence Room and be deposited into the City's general fund instead of returning the funds to the Narcotics Lieutenant's confidential funds safe.

Status of Recommendation

In Progress

Original Finding 5 (Report A2016-01)

Cash evidence records were incomplete.

In order to account for all confidential funds (buy money) in the Evidence Room, Police Department personnel should be able to provide an accurate and complete report of all confidential funds (buy money) in the Evidence Room which could be used to verify all funds are safeguarded and complete. The Police Department's Operating Procedure 6.2.10.A states, "All U.S. Currency "Cash" received or released by the Evidence Section will be logged into the Record Management System (RMS) and a cash ledger maintained by the City of Fayetteville Police Department."

Prior to an advancement of technology the Police Department used evidence cards to track evidence. In the 2010/2011 timeframe, the Police Department implemented a Records Management System (RMS). With the implementation of RMS, Police Department personnel input information from the evidence cards into RMS. However, if an evidence card listed more than one piece of evidence, a unique identifier was not assigned in RMS for each piece of evidence. For example, if evidence on a card included: a gun, drug money and confidential funds (buy money); only one of the three pieces of evidence would have been logged within RMS with a unique identifier. Therefore, a report pulled in RMS would not show all three evidence items. In addition, Evidence Room personnel stated that cash was not always differentiated as confidential funds (buy money).

Therefore, a comprehensive list of confidential funds (buy money) could not be provided by Evidence Room personnel and the auditors were unable to determine if all disposed confidential funds (buy money) was recorded in the Narcotics Unit financial records. The following observations were noted:

1. The disposition of funds dated May 8, 2015 reflected a handwritten note on the Chain of Custody Signature Form for an additional \$20.00. The handwritten note did not list the case number the \$20.00 was associated with, and Evidence Room personnel were unable to determine the case number due to the large volume of evidence cards. In response to an Internal Audit inquiry, Police Department Evidence Room personnel stated the funds were associated with an older case, and the method used to input evidence into RMS prohibited Evidence Room personnel from documenting the disposal within RMS.
2. Additionally, Police Department personnel stated the evidence card for the \$20.00 was signed by Police Department personnel on August 26, 2014 for receipt of the funds, but the funds were mistakenly left in the Evidence Room. However, the funds were returned with other confidential funds (buy money) on May 8, 2015.

Original Recommendation

The Police Department should allocate resources to the Evidence Room to assist in updating RMS so all evidence, to include confidential funds (buy money); from the evidence cards has a unique identifier for tracking the evidence.

Follow-up

Internal Audit's recommendation was to update RMS for all evidence. However, Police Department management's response was a 100 percent audit of currency would be completed by April 30, 2016. At that time, Police Department management accepted the risk of not updating all evidence in RMS.

Based on Internal Audit inquiry while conducting the current audit, the Police Department was unable to provide documentation showing a 100 percent audit of all currency was conducted. Therefore, Internal Audit requested RMS reports showing all currency within evidence. However, the RMS reports provided by the Police Department reflected inconsistencies. Internal Audit was advised by Police Department management that the inconsistencies identified by Internal Audit were researched and updated within RMS. However, these inconsistencies and recent updates conducted by the Police Department to ensure all currency was properly documented in RMS, confirms a 100 percent audit of all currency maintained by the evidence unit had not been completed.

Status of Recommendation

Not Implemented

Follow-up Recommendation

To ensure the inconsistencies have been corrected and the cash evidence records have been updated, Internal Audit will recommend for approval by the Audit Committee an audit of all currency evidence held by the Police Department on the fiscal year 2018 audit plan. The finding related to cash evidence records were incomplete will be removed from follow-up audits related to confidential funds.

Management's Response

We concur. Management is in full agreement with the recommendation.

Responsible Party: Internal Audit should schedule the audit with Lieutenant Wade Owen and/or Sgt. Mary Bueno.

Implementation Date: The Police Department will assist in facilitating this audit at the date/time identified as appropriate by Internal Audit, but no later than end of FY18.

Original Finding 4 (Report 2015)

Accounting for Funds

The Fayetteville Police Department's Operating Procedure 5.8, "*Confidential Funds and Use of Informants*" requires the NVU Lieutenant to conduct a monthly audit and submit the expenditure report to the Chief of Police or designee. Upon review, it was noted that a monthly expenditure report is being prepared by the Office Assistant II supervised by the NVU Lieutenant and during their absence the report is prepared by the NVU Lieutenant.

Original Recommendation

To ensure sound internal controls (segregation of duties), it is recommended that the Police Department modify their procedure to identify personnel independent of the NVU to conduct the monthly audit and prepare the expenditure report for the confidential cash fund. Records of cash received and disbursement activity should also be checked by this individual to ensure they are in compliance with procedures and are supported by original cash fund records. This reconciliation and review activity should be documented, and the results formally reported to the NVU Lieutenant's supervisor.

Additionally, it is recommended that specialized software be implemented to identify and summarize confidential fund activities. Currently the confidential funds are maintained manually and it is difficult to access the fund activity without a lengthy review. Whereas; specialized software to track the activity of the funds would provide a better internal control monitoring and reporting system. Upon further review, the NVU has requested to purchase software that is designed for tracking confidential funds, informants and all payment activities. This software was approved in the fiscal year 2014-2015 budget.

Follow-up

During the current audit period, the Narcotics Office Assistant II was completing the reconciliation, and the Narcotics Unit Lieutenant was reviewing and approving the report which allows for some segregation of duties. Based on Internal Audit Inquiry, it was noted due to the sensitive nature of information; the reconciliations are not prepared outside the Narcotics Unit, however, personnel independent of the Narcotics Unit reviews monthly reconciliations with all supporting documentation and provide feedback to the Narcotics Unit Lieutenant. As an added measure, the Narcotics Unit Lieutenant indicated that Internal Affairs would be asked to perform random cash counts that would occur at the end of each month and verified to monthly reports during the monthly review process.

The Police Department purchased the specialized software in fiscal year 2014 - 2015, but the software did not function as the Department had intended and paper documentation is being used. Based on Internal Audit Inquiry, there is no indication at this time that additional software will be purchased.

Status of Recommendation

Implemented

CONCLUSION

The Police Department's Special Investigation Division updated policies and procedures during the current audit period, July 1, 2015 through November 30, 2016, related to utilization and maintenance of confidential funds. These updates contributed to stronger controls and a general adherence to policies and procedures over confidential funds. The previous audit findings for the Special Investigation Division appeared to be adequately addressed with these updates.

For the Police Department's Technical Services Division, management did not perform an audit of all evidence as recommended, but stated a complete audit of currency would be conducted. However, Internal Audit was unable to validate that a 100 audit of currency was performed. Internal Audit will recommend to the Audit Committee the finding related to evidence be removed from follow-up audits related to confidential funds and be addressed with an audit of evidence conducted by the Office of Internal Audit.

Implementation of the recommendations contained in this audit report will assist the Police Department in ensuring the completeness, consistency, accuracy and integrity of the data in RMS.

Internal Audit wishes to thank the Police Department personnel for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File
Elizabeth H. Somerindyke
Director of Internal Audit

Signature on File
Rose Rasmussen
Senior Internal Auditor

Signature on File
Traci Carraway
Internal Auditor

Distribution:
Audit Committee
Douglas J. Hewett, City Manager
Anthony Kelly, Interim Chief of Police



Office of Internal Audit

**Follow-up Audit AF2015-04
Unannounced Review of
Petty Cash and Change Funds**

April 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.

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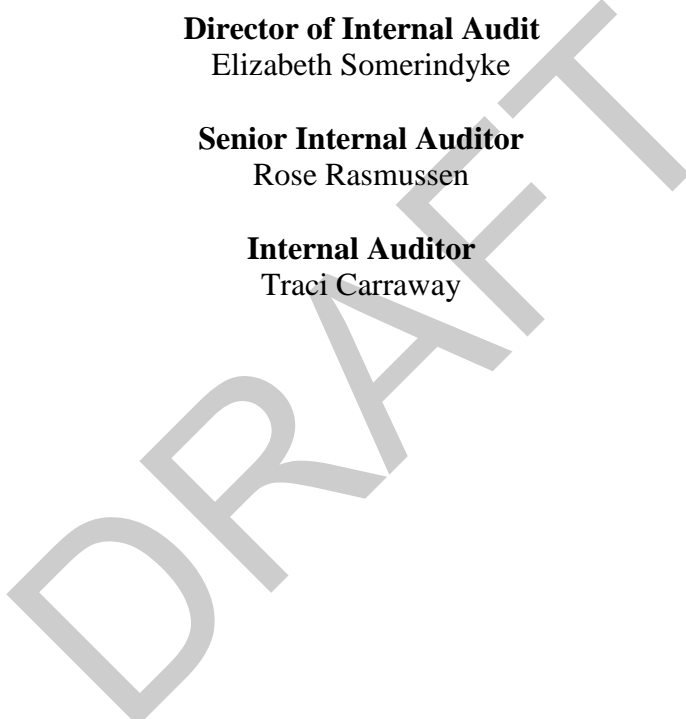


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<http://fayettevillenc.gov/government/city-departments/internal-audit>

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EXECUTIVE SUMMARY

The Office of Internal Audit conducted a review of petty cash and change funds with the purpose of: identifying the physical existence and location of petty cash and change funds; ascertaining whether petty cash and change funds were maintained in accordance with policies and procedures as prescribed by the City of Fayetteville Finance Department; and determining if all petty cash and change funds were accurately accounted for. The result of that review was outlined in report number R2015-04 issued in January 2016 with the following observations.

1. Policies and procedures were not available for change funds.
2. Petty cash and change funds were not maintained at authorized amounts.
3. Policies and procedures did not require written documentation of petty cash or change fund periodic reconciliations.
4. Procedures for notification of custodian or transfers of custodian were not clear.
5. There was a lack of adequate safeguarding for petty cash and change funds.
6. Examination of petty cash and change funds was needed to ensure balances were aligned with need.
7. Examination of petty cash and change funds was needed to ensure balances were aligned with actual practice
8. The usage of petty cash was not in accordance with North Carolina General Statutes.

In accordance with the *Annual Audit Plan Fiscal Year 2017*, the Office of Internal Audit performed a follow-up to the *Unannounced Review of Petty Cash and Change Funds R2015-04* audit report to determine if the original audit recommendations identified had been implemented by management as stated in the original management responses.

Based on the audit work performed, the Office of Internal Audit concluded the Finance Department updated policies and/or implemented procedures to effectively remediate issues as presented in the original audit report. The original audit recommendations appeared to be adequately addressed with these updates.

BACKGROUND

Petty cash funds are maintained by various City departments to provide a convenient and economical method to make small purchases. These funds are maintained on an imprest basis, which means the funds are maintained at a specific monetary level and expenditures are reimbursed. Change funds are maintained by City departments to provide change as a result of various transactions.

Internal Audit issued *Unannounced Review of Petty Cash and Change Funds R2015-04* in January 2016 with recommendations to improve oversight of petty cash and change funds. The Audit Committee approved a follow-up audit of petty cash and change funds in the *Annual Audit Plan Fiscal Year 2017*.

AUDIT OBJECTIVES

The objective of this audit was to determine if the original audit recommendations identified had been implemented by management to remediate the observations as presented in the original audit report.

AUDIT SCOPE

The scope of this review was limited to measures implemented by management to remediate issues as presented in original audit report *Unannounced Review of Petty Cash and Change Funds R2015-04*.

AUDIT METHODOLOGY

Internal Audit obtained and examined a listing of all petty cash and change funds from the Finance Department. The list included each fund, the authorized amount and the custodian of each fund. In addition, the auditors reviewed policies governing the use of petty cash and change funds. Data was obtained from the general ledger, listing all petty cash and change fund accounts. A sample of petty cash and change funds were selected and unannounced cash counts were performed at which time the physical security and record maintenance of the these funds were observed. The auditors did not review the validity of purchases made from petty cash funds, nor was a review performed to ensure procedures as outlined in policies were being adhered to.

AUDIT RESULTS

Based on the results of follow-up test work, each original observation recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The observation has been addressed by providing sufficient evidence to support all elements of the recommendation.
<i>In Progress</i>	The corrective action has been initiated to implement the recommendation but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in personnel levels, or management has decided to assume the risk.

Original Observation 1

Policies and procedures were not available for change funds.

The Finance Department did not have a policy for change funds. Policies should be updated to provide guidance for establishing, reconciling, increasing or closing a change fund; handling changes in custodians and locations; and recording cash overages and shortages. Without an explicit written policy for change funds, custodians and managers may not clearly understand their responsibilities with respect to change funds. Addressing change funds in policies would help resolve the observations made during the review.

Original Recommendation

Establish policies for change funds and ensure the policies are followed.

Follow-Up

Management's response to the recommendation stated: "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 SMT 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." City of Fayetteville Policy 313: *Change Funds* was drafted and approved with an effective date of April 6, 2016.

Management's response also indicated petty cash would be included as part of the draft policy. City of Fayetteville Policy 306: *Petty Cash Funds Operating/Monitoring* was last revised effective September 1, 1991 and was not revised as result of the prior year audit. Internal Audit recommends revisions to Policy 306 as appropriate.

Status of Recommendation

Implemented

Original Observation 2

Petty cash and change funds were not maintained at authorized amounts.

According to Policy #306 - *Petty Cash Funds Operation/Monitoring*, overages should be deposited to the appropriate revenue account and shortages should be made up by the custodian of the fund. The cash on hand and reimbursed receipts should equal to the authorized petty cash amount. Cash issued in advance of purchases or removed from the fund for legitimate reasons surrounding City of Fayetteville business should be documented, approved and kept with the fund until replenished. Although a formal policy was not available during the review, change funds should remain at the authorized amount and should be used solely for the purpose of making change in association with official City business.

Variances in cash counts affect the accuracy of financial records and could yield an opportunity for misplaced or misused funds. Based on Internal Audit's review, total cash on hand and reimbursed receipts did not equal the established fund amounts. Internal Audit found eight funds during the on-site cash counts with variances when compared to the general ledger.

1. During the count of the petty cash fund at Fire Station #14 on 6/29/15, Internal Audit noted the total amount including: cash of \$215.49; receipts totaling \$72.23; and a City of Fayetteville reimbursement check in the amount of \$16.17 equaled \$303.89. The authorized amount for the fund was \$250. The overage of \$3.89 was removed from the fund and deposited with Finance Collections to be posted to miscellaneous revenue on 6/29/15. The additional \$50 included in the fund should be taken to the Finance Department, deposited and posted to miscellaneous revenue.
2. During the count of the change fund at Westover Recreation Center on 6/29/15, a \$5 overage was noted. The authorized amount for the fund was \$75. The custodian of the fund indicated the \$5 was owed to a customer, because at the time of payment, there were not enough small bills to make change. The custodian indicated the normal process was to obtain change from the Finance Department after the daily deposit was made. Once change was received, the customer would be called and given the change. The Office of Internal Audit did not remove the \$5 overage, so the customer could be refunded when change was obtained.
3. During the count of the change fund at Lake Rim Recreation Center on 6/29/15, a \$10 overage was noted. The amount counted in the fund was \$85. The authorized amount was \$75. The overage of \$10 was removed from the fund and deposited with the Finance Department to be posted to miscellaneous revenue on 6/29/15.
4. During the count of the change fund at EE Miller Recreation Center on 6/26/15, a \$0.10 shortage was noted. The amount counted in the fund was \$74.90. When the funds were put back into the safe, a nickel was found and was placed in the bag making the fund short \$0.05. Staff at this site should be required to make up shortage in this fund.
5. During the count of the change fund at Stoney Point Recreation Center on 6/26/15, a \$15 shortage was noted. The amount counted in the fund was \$35. The authorized amount was \$50. The custodian indicated the \$15 shortage was due to the receipt of a large bill as payment and they were waiting for change to return from Finance Department. Accordingly, the custodian of the fund indicated the fund was made whole on July 1, 2015.
6. During the count of the petty cash fund at Environmental Services Grove Street location, an \$0.08 overage was noted. The amount counted in the fund was \$354.28 with receipts totaling \$145.80. The total amount was \$500.08. The authorized amount was \$500. The \$0.08 was removed from the fund and deposited with the Finance Department to be posted to miscellaneous revenue on 6/29/15.
7. On June 29, 2015, there was no change fund to count at Smith Recreation Center. The authorized amount was \$75, but the custodian of the fund indicated there was never a change fund for this Center, only for Seabrook Pool. Upon further review, it was noted the change fund for both Smith Recreation Center and Seabrook Pool appeared to have been set up in October 2001. The Cash Receipts Audit Program questionnaire submitted by the fund custodian for FY 2008 indicated a fund amount at Smith Recreation Center of \$55. Subsequent Cash Receipts Audit Program questionnaires submitted by the fund custodian for FY 2009, FY 2010 and FY 2015, respectively, all indicated a fund amount at Smith Recreation Center of \$50. Per Internal Audits review, there

should be a change fund in the amount of \$75 at Smith Recreation Center and a change fund in the amount of \$50 at Seabrook pool. There is a clear discrepancy with these funds which needs to be addressed.

8. The general ledger shows \$842.35 as the change fund balance for parking facilities. Revenue for the City of Fayetteville's various parking locations is handled by McLaurin Parking Company (Fayetteville Parking Service). Based on an Internal Audit inquiry, Fayetteville Parking Service personnel stated the amount included funds for the different lots serviced, but indicated the funds had been returned to the City.

LOT	BALANCES
RCW2	119.00
Library Lot	166.70
Bow Commons	173.50
Donaldson	100.00
RCW1	110.35
Franklin Commons	172.80
	\$ 842.35

¹ per JDEdwards general ledger records, table reflects change fund amount issued to parking lots

Internal Audit was able to verify receipt of all parking pay-station change funds except the \$119 at RCW2. The change fund account on the general ledger was not recorded for the receipt; instead the receipt was recorded to revenue on 10/1/2013 by the Finance department. An adjustment needs to be made to correct the general ledger account. Furthermore during the interview, it was disclosed a change fund resides at the Franklin Street Parking deck. The \$1,700 payment for this change fund appeared to have been recorded as an expenditure on 5/22/2012 by Engineering and Infrastructure. This also needs to be corrected and the change fund balance recorded properly in the general ledger. These funds were not counted by the Office of Internal Audit.

Original Recommendation

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.

Follow-Up

Finance Department personnel indicated an audit, to confirm petty cash and change fund balances were maintained at authorized amounts, was conducted November 2016 and no overages or shortages were found. Finance Department personnel also indicated unannounced visits to conduct audits took place on December 1 & 2, 2016 and February 23 & 24, 2017. Based on Internal Audit inquiry, Finance Department personnel could not produce valid evidence of the audits. However, Internal Audit physically visited two petty cash and five change fund sites at which time each of the custodians present indicated Finance personnel had recently counted the fund. In addition, Finance Department personnel indicated policies governing petty cash and change funds were distributed by hand and emailed along with a list of petty cash and change fund authorized amounts to all custodians, supervisors and department heads. At the time of distribution, the handling of overages and shortages was explained.

Internal Audit recommends Finance Department personnel have fund custodians, alternates, supervisors and department heads sign off on policies stating they have read and understand the policies governing petty cash and change funds at least annually. In addition, Internal Audit recommends when unannounced petty cash and change fund audits are performed, count sheets should be used and signed by both the custodian of the fund being counted and by Finance Department personnel performing the count. Records of these unannounced audits should be maintained for the appropriate period based on City and departmental retention schedules.

Based on Internal Audit inquiry, Finance Department personnel indicated transactions as follows: established three new change funds; closed five change funds; reduced two change funds; established one petty cash fund, and closed one petty cash fund. The adjustments to petty cash and change funds as noted by Finance Department personnel were to be recorded to the proper asset account on the general ledger. Internal Audit reviewed the general ledger account balances as compared to the listing of authorized amounts for both petty cash and change funds. The amounts reported on the general ledger by type of fund and department were consistent with the listing of authorized amounts provided by the Finance Department.

It was determined during the previous audit that \$842.35 for parking facilities at RCW2, Library Lot, Bow Commons, Donaldson, RCW1 and Franklin Commons had been returned and recorded to a revenue account. The Finance Department personnel made an adjustment to the parking fund, and the \$842.35 no longer appears on the general ledger as a change fund. Finance Department personnel also indicated the change fund at Franklin Parking Deck was reduced by \$500. However, at the time of the reduction, Finance Department personnel did not verify the fund amount at this location. Internal Audit recommends a physical count at the Franklin Parking Deck location be performed to verify the amount held in the fund.

Status of Recommendation

Implemented

Original Observation 3

Policies and procedures did not require written documentation of petty cash or change fund periodic reconciliations.

Finance Department's *Petty Cash Funds Operation/Monitoring Policy #306* does not explicitly require petty cash funds be periodically reconciled to their authorized amounts. The majority of the fund custodians surveyed by Internal Audit indicated their petty cash or change funds were not reconciled by an independent party. Requiring routine custodial fund reconciliations is an important step to ensure City assets are properly accounted for and recorded. To reduce the possibility of fraud and error, procedures should be established to ensure reconciliations are conducted and periodically checked by another authorized individual independent of the fund.

Original Recommendation

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.

Follow-Up

Management's response to this recommendation stated a reconciliation requirement would be outlined in the petty cash and change funds policies. Finance Department's *Change Funds Policy #313*: Section 2. Custodian states: "The custodian will be solely responsible for his/her designated change fund. The custodian will perform a reconciliation/count before each shift starts and at the end of each shift. Each reconciliation/count should be recorded using a log. These logs will be signed and dated daily by the custodian and the supervisor documenting a review is done." In addition, Section 2: Supervisor states: "The supervisor of the custodian will sign the daily reconciliations performed at the beginning and end of each shift. This should be included in normal opening and closing procedures. If the supervisor is not available the department director may designate an alternative reviewer to sign the daily reconciliations." Policy 306: *Petty Cash Funds Operating/Monitoring*, as revised, became effective September 1, 1991, but was not revised to address this recommendation. Internal Audit recommends revisions to Policy 306 as appropriate.

Of the two petty cash and five change fund sites physically visited by Internal Audit, all funds counted had reconciliation sheets with twice daily initials by the custodian or alternate and an at least a monthly review and sign-off by a supervisor. Custodians were reconciling/counting funds twice daily and initialing that this has been performed.

Status of Recommendation

Implemented

Original Observation 4

Procedures for notification of custodian or transfers of custodian were not clear.

Finance Department's *Petty Cash Funds Operation/Monitoring Policy #306*, which provides guidance on how said funds could be used and/or safeguarded, requires when the custodian of a fund is transferred to another employee, the department head is responsible for notifying the Finance Department. However, the policy did not state the notification should be in writing. Internal Audit's review did not yield any documentation on the custodians of record. Without updated and accurate documentation of custodian and transfer of custodian, it would be difficult to confirm who has responsibility for the fund. Lack of accountability for petty cash and change funds could result in a lack of control over these funds.

Original Recommendation

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.

Follow-Up

Management's response to this recommendation stated: "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." Finance Department personnel indicated the authorized custodian was confirmed for each fund via email and the email correspondence was provided to Internal Audit.

Finance Department personnel also indicated a list of petty cash and change fund balances and all current authorized custodians is maintained by the Collections Supervisor within the Finance Department. The Finance Department stated a request was made for departments to provide documentation of any modification to fund custodians. In addition, Finance Department personnel indicated custodians, supervisors and department heads had been notified at the time of unannounced visits to maintain the policies and a listing of custodians with or near funds. The Finance Department personnel have implemented measures to ensure a listing of all current authorized custodians of each fund was created and maintained by the Finance Department and also kept with the fund.

Status of Recommendation

Implemented

Original Observation 5

There was a lack of adequate safeguarding for petty cash and change funds.

City of Fayetteville Financial Procedure titled *Cash Handling General Procedures*, indicates: "All checks, cash and credit card receipts must be protected by using a cash register, safe or other secure place until the funds are deposited." Internal Audit's review disclosed three petty cash or change funds with monies totaling \$378.43 were not kept locked when not in use. In each of these cases, there was a locking receptacle available, but it was not used by the custodian. Cash is a liquid asset and easily susceptible to misappropriation, if not properly safeguarded. Therefore, preventive controls are necessary to properly safeguard cash from possible theft and/or misappropriation.

1. During a count of the petty cash fund in the Legal Department on 6/30/15, it was noted the funds were kept in an unlocked drawer in the open vault of the City Attorney's Office. The amount of

money counted in the fund was \$87.94, with a total authorized amount of \$500. After discussion about the security of the funds, the custodian indicated they would begin keeping the drawer locked at all times.

2. During a count of the petty cash fund at Fire Station #14 on 6/29/15, it was noted the funds were kept in a lockbox but not in a locked drawer or safe. The amount of money counted in the fund was \$215.49, with an authorized amount of \$250. After discussion about the security of the funds, the custodian indicated they would begin keeping the funds in a locked drawer at all times.
3. During a count of the change fund at the Tokay Fitness Center on 6/26/15, it was noted the funds were kept in an unlocked drawer. A safe was available to be used to keep the funds, but according to the custodian was not being used. The amount counted in the fund was the authorized amount of \$75. After discussion about the security of the funds, the custodian of the fund indicated they would begin using the safe to store the funds.

Original Recommendation

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.

Follow-Up

Finance Department personnel indicated all monies were required to be kept secured in a lockbox and/or safe. Internal Audit physically visited two petty cash and five change fund sites at which time it was noted all funds counted were kept in a secure location. It appears Finance Department personnel have implemented measures to ensure monies designated for petty cash and change funds are kept secure from theft and loss. In addition, Finance Department personnel indicated the custodian section of policy was explained to staff and compliance to the policy was emphasized at the time unannounced counts were performed. While it does appear Finance Department personnel have made an effort to ensure each custodian reviewed the roles and responsibilities of custodians periodically and were aware of the responsibilities assigned to them, Internal Audit recommends at least yearly when authorized amounts in the funds are verified, the Finance Department have fund custodians, alternates, supervisors and department heads sign off on the policies stating they have read and understand the policies governing petty cash and change funds.

Status of Recommendation

Implemented

Original Observation 6

Examination of petty cash and change funds was needed to ensure balances were aligned with need.

Internal Audit's review of petty cash and change fund balances showed departments may keep higher balances than needed. Of the funds reviewed, Internal Audit noted eight petty cash funds or change funds not being consistently used or may be inconsistent with the current needs of the department. The availability of City credit cards and improvements in technology associated with the cash receipts, such as the ETS credit card system implemented with the Parks and Recreation Department, may enable departments to reduce the amount of petty cash and change funds needed. Internal Audit's review indicated only one department had reduced fund balances to adjust for these factors. To maximize use of City funds, departments should review petty cash and change fund balances to ensure balances are aligned with needs.

1. During the count on 6/29/15 of the petty cash fund held at Fire Station #14, there was cash totaling \$215.49; three receipts dating back to 5/18/15 totaling \$72.23, and an un-cashed City of Fayetteville reimbursement petty cash check dated 6/25/15 in the amount of \$16.17. The total amount counted for the fund was \$303.89. The authorized amount was \$250. Prior checks to replenish the fund were written on 5/21/15 and 6/11/15 for \$60.04 and \$41.71, respectively. The authorized amount could possibly be reduced.
2. During the count on 6/30/15 of the petty cash fund held by Police Victim Assistance, the custodian of the fund indicated there are very few expenditures made from this fund. The amount of money counted in the fund was the authorized amount of \$300. There were a total of five checks written to reimburse petty cash expenditures for FY 2014-2015. The authorized amount for this fund could possibly be reduced.
3. During the count on 6/30/15 of the petty cash fund held by Police Administration, the amount of money counted in the fund was \$232 with receipts totaling \$18. This accounted for the total authorized amount of \$300 in the fund. There were a total of five checks written to reimburse petty cash expenditures for FY 2014-2015. The authorized amount could possibly be reduced.
4. During the count on 6/30/15 of the petty cash fund held at the Airport, the amount of money counted in the fund was \$130 with receipts totaling \$70. Receipts dated back to March 10, 2015, and the fund custodian indicated the fund is replenished about once per quarter. The total authorized amount was \$200 for this fund. There were a total of two checks written to reimburse petty cash expenditures for FY 2014-2015. The authorized amount for this fund could possibly be reduced.
5. During the count on 6/30/15 of the petty cash fund held at the Transit Department, Grove Street location, the amount of money counted in the fund was \$161.87 with receipts totaling \$88.13 dating back to April 2015. The authorized amount for this petty cash fund was \$250. The fund was replenished and the money from the fund was turned over to the Finance Department on 7/17/15. This fund is no longer in existence.
6. During the count on 6/29/15 of the change fund at Cliffdale Recreation Center, the amount counted was the authorized amount of \$75, mostly in large bills (3 twenties, 1 ten, 5 ones). When asked if the fund was balanced daily, the custodian indicated the funds are not used often and so not balanced often. The authorized amount could possibly be reduced.
7. During the count on 7/10/15 of the change fund held at Myers Recreation Center, the amount counted in the fund was the authorized amount of \$75, in large bills (1 fifty, 1 twenty, 1 five). The authorized amount could possibly be reduced.
8. During the count on 7/2/15 of the petty cash fund held at the Environmental Services Department, Grove Street location, the amount of cash counted in the fund was \$354.28; with receipts dating back to April 2015 totaling \$145.80 which equaled \$500.08. The authorized amount for this fund was \$500 and as previously mentioned, the overage was taken to the Finance Department to be deposited. There were a total of three checks written to reimburse petty cash expenditures for FY 2014-2015. The authorized amount could possibly be reduced.

Original Recommendation

A periodic review of all petty cash and change funds should be done to determine if the need for the fund still exists.

Follow-Up

Finance Department personnel indicated a periodic review of all petty cash and change funds was done to determine if the need for the fund still exists, resulting in the closure of one petty cash and one change fund and the reduction of two change funds. It appears Finance Department personnel implemented measures to ensure a periodic review of all petty cash and change funds was done to determine if the need for the fund still exists.

Status of Recommendation

Implemented

Original Observation 7

Examination of petty cash and change funds was needed to ensure balances were aligned with actual practice.

In addition to the overages and shortages as presented in Observation 2, Internal Audit found the balances as shown on the general ledger did not accurately reflect the amounts in operations. Petty cash funds were reflected in one account per fund instead of being accounted for by a departmental subsidiary account on the general ledger.

Petty Cash				
		per books	per count	difference
Airport	65.1107.AIR	200.00	200.00	-
Environmental Services	67.1107.ENSVCS	-	500.00	500.00
Finance	11.1107.FIN	4,900.00	-	(4,900.00)
Fire	11.1107.FIRE	-	300.00	300.00
Legal	11.1107.LEG	-	500.00	500.00
P&R Maint	11.1107.PARKSMTN	-	400.00	400.00
Police Admin	11.1107.POLADM	-	250.00	250.00
Police Training	11.1107.POLTRNG	-	2,000.00	2,000.00
Police Victim Assistance	11.1107.POLVIC	-	300.00	300.00
Traffic Svcs	11.1107.TRAF	-	250.00	250.00
Transit	61.1107.TRAN	750.00	250.00	(500.00)
		<u>\$ 5,850.00</u>	<u>\$ 4,950.00</u>	<u>\$ (900.00)</u>

Change funds were also not reflected as they are being used in operations and it appears some petty cash funds should be reflected as change funds on the general ledger.

Change Funds				
		per books	per count	difference
Finance	11.1110.FIN	150.00	400.00	250.00
Inspections	11.1110.INSP	200.00	200.00	-
Parks	11.1110.PARKS	50.00	225.00	175.00
Parking	16.1110.PRKG	842.35	1,700.00	857.65
Recreation	11.1110.REC	1,430.00	1,400.00	(30.00)
Transit	61.1110.TRAN	-	500.00	500.00
		<u>\$ 2,672.35</u>	<u>\$ 4,425.00</u>	<u>\$ 1,752.65</u>

City management is responsible to ensure financial activity is accurately reported and reliable. When the general ledger does not accurately reflect the actual fund amount, the opportunity for theft, loss or misuse is increased. For each department a separate account is not maintained in the general ledger per fund, however, it would be helpful to have a listing indicating the amount of each fund, the location and the custodian of the fund.

Original Recommendation

The general ledger should be updated to accurately reflect the balances held in petty cash and change funds by each department.

Follow-Up

Adjustments to petty cash and change funds as noted by Finance Department personnel have been recorded to the proper asset account on the general ledger. Internal Audit reviewed general ledger account balances as compared to the listing of authorized amounts for both change funds and petty cash funds provided by the Finance Department. The amounts reported on the general ledger by type of fund and by department were consistent with the listing of authorized amounts provided by the Finance Department.

Status of Recommendation

Implemented

Original Observation 8

The usage of petty cash was not in accordance with North Carolina General Statutes.

The Local Government Budget and Fiscal Control Act, N.C.G.S 159-28 outlines procedures for budgetary accounting for appropriations. The statute as originally adopted did not allow for cash payments. House Bill 44 amended the Local Government Budget and Fiscal Control Act in September 2015 so payments could be made by “Cash, if the local government has adopted an ordinance authorizing the use of cash, and specifying the limits of the use of cash.”

Original Recommendation

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.

Follow-Up

Internal audit reviewed City Ordinance No. S2016-001 with an effective date of February 22, 2016. This ordinance adopted by City Council brings the City’s policy of using petty cash funds in compliance with North Carolina General Statutes.

Status of Recommendation

Implemented

CONCLUSION

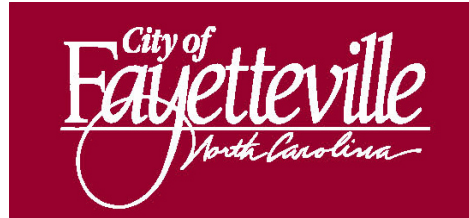
Based on the audit work performed, the Office of Internal Audit concluded the Finance Department updated policies and/or implemented procedures to effectively remediate issues as noted in the original audit report. The original audit observations appeared to be adequately addressed with these updates.

Internal Audit wishes to thank Finance Department personnel for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File
Elizabeth H. Somerindyke
Director of Internal Audit

Signature on File
Traci Carraway
Internal Auditor

Distribution:
Audit Committee
Douglas J. Hewett, City Manager
Cheryl Spivey, Chief Financial Officer



Date: April 27, 2017
To: Audit Committee
CC: Douglas Hewett, City Manager
Kristoff Bauer, Deputy City Manager
Michael Bailey, Interim Permitting and Inspections Director
From: Scott Shuford, Planning and Code Enforcement Services Director
RE: City Code Amendments Related to Internal Audit Recommendations

At its April 3, 2017 work session, City Council referred this item to the Audit Committee for review and comment.

Attached please find material related to this item, including the April Council Action Memorandum, the proposed ordinance, and related material.

Once City Council adopts the ordinance, it will enable the following recommendations to be completed or partially completed: 5, 6, 8, 17, 25, 26, 27 and 32.

Staff will be on hand at the Audit Committee meeting to go over the ordinance and answer any questions from the Committee. We will seek direction from the Committee about whether the ordinance should be scheduled for the May 8, 2017 Consent Agenda.

City Council referred the Code Amendments Recommended by Internal Audit to the Audit Committee for review and recommendation. The following documents are provided to guide the discussion:

Appendix A – Council Action Memorandum

Appendix B – Proposed Code Amendments

Appendix C – State Statutes Referred to in the Proposed Code Amendments

Appendix D – Departmental Policy for Bonding and Liability Insurance for Major Building Demolitions

Staff from the Legal, Permitting and Inspections and Planning and Code Enforcement Departments will be on hand to introduce the Proposed Code Amendments and answer questions from the Committee.

Appendix A – Council Action Memorandum for Code Amendments Recommended by Internal Audit



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File #: 17-065 **Version:** 1 **Name:** City Code Amendments Recommended by Internal Audit
Type: Other Items of Business **Status:** Agenda Ready
File created: 2/14/2017 **In control:** [City Council Work Session](#)
On agenda: 4/3/2017 **Final action:**
Title: City Code Amendments Recommended by Internal Audit
Attachments: 1. [Revisions to Building Code Ordinance](#)

[History \(0\)](#) [Text](#)

TO: Mayor and Members of City Council

THRU: Kristoff Bauer, ICMA - CM, Deputy City Manager

FROM: Scott Shuford, Planning and Code Enforcement Director

DATE: April 3, 2017

RE:
Title
City Code Amendments Recommended by Internal Audit
end

COUNCIL DISTRICT(S):
Council District(s)
All

b
Relationship To Strategic Plan:
Sustainable Organizational Capacity - Have unity of purpose in its leadership and sustainable capacity within the organization.

Executive Summary:
This item proposes amendments to the City Code recommended in an internal audit of the Permitting and Code Enforcement Department to resolve inconsistencies and bring the Code into compliance with State law.

Background:
An internal audit of the Permitting and Code Enforcement Department examined the City Code requirements and noted several inconsistencies in the Code with the State Building Code and current inspections practices. Additionally, the audit noted that certain Code provisions, such as references to the privilege license fee program, required adjustment to reflect current State law. The proposed adjustments to the City Code will resolve those inconsistencies and bring the Code into compliance.

Issues/Analysis:
This set of amendments implements recommendations of the Internal Audit Department regarding inconsistencies in the City Code. The chief changes are:
- Removing references to the privilege license fee program which has been eliminated by state statute.
- Removing the requirement that contractors be registered.
- Adding language addressing bonding and liability insurance to reflect policy and regulations.
- Extending the validity of a permit from six weeks to six months consistent with the State Building Code.

Budget Impact:
None

Options:
Approve attached ordinance.

Direct staff to make adjustments to attached ordinance.
Deny attached ordinance.

Recommended Action:
Adopt attached ordinance.

Attachments:
Revisions to City Code to address internal...

[Click here for full text](#)

Appendix B – Code Amendments Recommended by Internal Audit

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE AMENDING VARIOUS SECTIONS OF ARTICLE III, ENFORCEMENT, OF CHAPTER 7, BUILDING CODE, OF THE CODE OF ORDINANCES OF THE CITY OF FAYETTEVILLE, NORTH CAROLINA

BE IT ORDAINED, by the City Council of the City of Fayetteville, North Carolina, that:

Section 1. Section 7-61, Registration of Contractors, is deleted in its entirety.

Section 2. Section 7-62, Permits Required, Subsection a.1. is amended by deleting the subsection in its entirety and substituting with the following:

1. In cases of removal or demolition of a building or structure, a good and sufficient performance bond and/or liability insurance may be required to be posted by the property owner or by his contractor at the time of application for a permit, to ensure the completion of the work in accordance with the demolition plan and/or to protect surrounding development or property from damage during the demolition process. The amount of said performance bond and/or liability insurance shall be determined pursuant to approved city policy and state and local regulations.

Section 3. Section 7-62, Permits Required, Subsection a.2. is amended by deleting the subsection in its entirety and substituting with the following:

2. In the interest of public health regarding the citizens of the city, whenever a building or structure is to be demolished at any location within the city, approval shall be obtained from the environmental health section of the county health department. Proof of the approval must be furnished prior to the issuance of a demolition permit.

Section 4. Section 7-62, Permits Required, Subsection f., miscellaneous permits, is amended by deleting the word "demolition,".

Section 5. Section 7-65, Limitations of Issuance of Permits, is amended by adding a new subsection e. as follows:

- e. All issuance of permits must meet the requirements of G.S. 160A-417.

Section 6. Section 7-66, Issuance of Permit, is amended by deleting the words “appropriate inspector” and substituting the words “designated permitting and inspections staff member”.

Section 7. Section 7-68, Time Limitations on Validity of Permits, is amended by deleting the word and figure “60 days” and substituting the word and figure “6 months”.

Section 8. Section 7-70, Permit Fees, is amended by deleting the section in its entirety and substituting with the following:

Sec. 7-70. Permit Fees.

Fees for building-zoning permits shall be pursuant to the fee schedule as adopted by City Council. The permit fee shall include all contracts relative to the structure or building. A schedule of all permit fees shall be maintained in the office of the city clerk and the inspections director. If a project is commenced prior to obtaining a permit that is required, the total cost of the permit will be increased 100 percent.

Section 9. Section 7-71, Failure to Comply with Building Code; Extension of Time; Revocation of Privilege License, is amended by deleting the section in its entirety and substituting the following language:

Whenever an inspector shall find that a provision of the building code has not been complied with, and the failure to comply is by a contractor, whether or not the building permit was issued in the name of the contractor, the contractor shall be given a reasonable opportunity to correct the failure to comply with the building code depending upon the nature of the noncompliance. If the contractor fails to correct the violation within the time given, which in no event shall exceed 30 days, then the inspector shall have the authority to issue a stop work order pursuant to North Carolina Building Code: Administrative Code and Policies.

Section 10. It is the intention of the City Council, and it is hereby ordained that the provisions of this ordinance shall become and be made part of the Code or Ordinances, City of Fayetteville, North Carolina, and the section of this ordinance may be renumbered to accomplish such intention.

Adopted this the _____ day of _____, 2017.

CITY OF FAYETTEVILLE

NAT ROBERTSON, Mayor

ATTEST:

PAMELA J. MEGILL, City Clerk

Appendix D – Bonding and Liability Insurance Policy for Major Demolitions

Major Building Demolition Policy – Planning and Code Enforcement Department

Major building demolition is the demolition of a building that is more than 5,000 square feet in floor area, or any building less than 5,000 square feet in floor area where the City Manager or designee deems that such demolition requires special equipment or processes to safely demolish the building. Such demolition equipment and processes may include asbestos testing and removal, specialized protection for adjoining structures or properties, and similar requirements necessary to protect public health and safety.

The bidding process for Major Building Demolition shall be conducted pursuant to the City's formal bidding process. During this process, performance bonding and liability insurance may be required of the contractor by the City Manager or designee at an amount or amounts sufficient to ensure the completion of the contract and/or to reflect the risk to adjoining structures and properties, respectively, and as applicable.

The City may deviate from this policy if, in the discretion of the City Manager or designee, it is warranted due to unusual, unforeseen or atypical circumstances related to the instant structure, its condition, or its surroundings.



MEMORANDUM

April 27, 2017

TO: Audit Committee Members

FROM: Elizabeth Somerindyke, Internal Audit Director

RE: Quarterly Management Implementation Status Report

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. Except as otherwise noted, 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.

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Fayetteville, NC 28301-5537
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Office of Internal Audit
Quarterly Management Implementation Status Report
Fiscal Year 2016 - 2017 (3rd Quarter)

<u>Audit Title</u>	<u>Date Released</u>	Made	Accepted	<u>Recommendations</u>		
				Implemented	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	*	*	*
Title and Registration A2016-04	March 2016	1	1	1	0	0
Permitting and Inspections A2016-02	October 2016	35	35	7	19	9
City-wide Travel and Training A2017-01	January 2017	3	3	2	1	0

* Follow-up audits have been completed and will be presented to the Audit Committee on April 27, 2017.

Office of Internal Audit
 Quarterly Management Implementation Status Report
 Fiscal Year 2016-2017 (3rd Quarter)

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
Recommendation		Management Response	Management Follow-up Response - April 10, 2017	Management Follow-up Response - January 17, 2017
R2015-04 - Unannounced Review of Petty Cash and Change Funds				
1	Establish policies for change funds and ensure the policies are followed.	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. Implementation Date: 3/31/16 & 4/15/16 Responsible Party: Linda Daquil/RayOxendine	The Office of Internal Audit performed the follow-up audit in March 2017. The report will be presented to the Audit Committee on April 27, 2017.	Change Funds Policy #313 became effective 4/6/2016. The policy outlines Purpose, Definition, Policy, Procedures, Responsibilities and Overages & Shortages. Attachment Policy #313.
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.	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. Implementation Date: 2/5/2016 Responsible Party: Linda Daquil/RayOxendine	The Office of Internal Audit performed the follow-up audit in March 2017. The report will be presented to the Audit Committee on April 27, 2017.	As stated in Policy #313, Change Fund/Petty Cash balance of all departments were confirmed 11/28-30/2016. Unannounced visits to 20 P&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.
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.	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. Implementation Date: 1/29/2016 Responsible Party: Linda Daquil/RayOxendine	The Office of Internal Audit performed the follow-up audit in March 2017. The report will be presented to the Audit Committee on April 27, 2017.	Departments with daily cash transactions, Collections, Environmental Services, Permitting & Inspections, and Transit conduct/record (open & close) daily reconciliations in the POS system. P&R centers were instructed 12/1-2/16 to maintain a twice daily log/recon, P&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.
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.	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. Implementation Date: 2/5/2016 Responsible Party: Linda Daquil/RayOxendine	The Office of Internal Audit performed the follow-up audit in March 2017. The report will be presented to the Audit Committee on April 27, 2017.	Collections confirmed custodian names for each department 11/28-12/2/16 and maintains an updated list as stated in Policy #313, Section 2.

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Office of Internal Audit
 Quarterly Management Implementation Status Report
 Fiscal Year 2016-2017 (3rd Quarter)

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
Recommendation	Management Response		Management Follow-up Response - April 10, 2017	Management Follow-up Response - January 17, 2017
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.	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. Implementation Date: 1/29/2016 Responsible Party: Linda Daquil/RayOxendine	The Office of Internal Audit performed the follow-up audit in March 2017. The report will be presented to the Audit Committee on April 27, 2017.	Unannounced visit 12/1-2/16 to 20 P&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&R sites 12/1-2/16 and emailed to all custodians and supervisors 12/8/16.
6	A periodic review of all petty cash and change funds should be done to determine if the need for the fund still exists.	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. Implementation Date: 2/12/2016 Responsible Party: Linda Daquil/RayOxendine	The Office of Internal Audit performed the follow-up audit in March 2017. The report will be presented to the Audit Committee on April 27, 2017.	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.
7	The general ledger should be updated to accurately reflect the balances held in petty cash and change funds by each department.	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. Implementation Date: 2/5/2016 Responsible Party: Linda Daquil/RayOxendine	The Office of Internal Audit performed the follow-up audit in March 2017. The report will be presented to the Audit Committee on April 27, 2017.	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 & 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.
8	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.	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. Implementation Date: 2/8/2016 Responsible Party: Linda Daquil/RayOxendine	The Office of Internal Audit performed the follow-up audit in March 2017. The report will be presented to the Audit Committee on April 27, 2017.	Ordinance No. S2016-001, §1,2-22-2016: Code of Ordinances, Chapter 2 Administration, Article III, Legal & 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

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Office of Internal Audit
 Quarterly Management Implementation Status Report
 Fiscal Year 2016-2017 (3rd Quarter)

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date	
Recommendation		Management Response		Management Follow-up Response - April 10, 2017	Management Follow-up Response - January 17, 2017
A2015-03 - Performance Audit Procurement Card					
1	<p>A. 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.</p> <p>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. Implementation Date: 4/29/2016 Responsible Party: Michael Mitchell/Kimberly Toon/Ray Oxendine</p>	<p>1A. Per Procurement Card Policy #312, 05/18/16, Department Director/designee must review & 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. 1B . 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>	<p>1A. Per Procurement Card Policy #312, 05/18/16, Department Director/designee must review & 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. 1B . 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>	
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. Implementation Date: Immediately Responsible Party: 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>	<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>	

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Recommendation		Management Response	Management Follow-up Response - April 10, 2017	Management Follow-up Response - January 17, 2017
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 Implementation Date: 4/29/2016 Responsible Party: Michael Mitchell/Kimberly Toon/Ray Oxenidine/Finance Staff</p>	<p>Procurement Card Policy #312, revised 05/18/16, to reflect recommendations.</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. Implementation Date: 5/31/2016 Responsible Party: 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>	<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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2017-01A City-wide Travel and Training				
1	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.	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. Implementation Date: 4/1/2017 Responsible Party: Ray Oxendine, Treasurer	Implemented: The Travel and Training Policy has been updated and approved on April 4, 2017. Accounts Payable staff will continue to work with Departmental Staff to ensure that expenditures are in compliance with new policies. Accounts Payable staff will train new employees and offer updated training for other Administrative Assistants as requested. Implemented: New travel forms have been developed and will help in identifying non-compliance and ensure accuracy in reporting. Both the Accounts Payable Supervisor and Treasurer are now reviewing and approving pre-travel and after travel documents for compliance with updated policies.	Not applicable - Internal Audit completed the audit in January 2017 and presented to the Audit Committee on January 26, 2017
2	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.	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. Implementation Date: 4/1/2017 Responsible Party: Ray Oxendine, Treasurer	Implemented: The Travel and Training Policy has been updated to address audit recommendations. Updated Travel Policy ensures that resources are used in a more cost effective manner. We now have at least 2 employees reviewing pre-travel and after travel documents to ensure accuracy and compliance with updated policies.	Not applicable - Internal Audit completed the audit in January 2017 and presented to the Audit Committee on January 26, 2017

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3	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Implementation Date: 4/1/2017 Responsible Party: Ray Oxendine, Treasurer</p>	<p>Partially implemented: The Treasurer and Accounts Payable staff will attend seminars on sales tax reporting and access Department of Revenue website for updated sales tax information or changes to sales tax legislation. Accounts Payable staff is reviewing FY 2017 transactions for coding errors and are making adjustments if needed.</p> <p>When notified of new hires, Accounts Payable staff will offer training and provide a copy of the Accounts Payable updated procedures. An appointment should be made by Departmental personnel to schedule training at the Accounts Payable Department. Training will continue until the employee is comfortable with travel procedures and processes. For Administrative Assistants training is available on an as needed basis. Accounts Payable staff is always available by email or telephone for questions, information or other requests.</p>	<p>Not applicable - Internal Audit completed the audit in January 2017 and presented to the Audit Committee on January 26, 2017</p>

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2016-02A Permitting and Inspections				
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>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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Building Official; Senior Administrative Assistant</p>	<p>This recommendation has not been implemented as of April 10, 2017 but work continues to progress toward its implementation by the established deadline.</p> <p>In an effort to ensure success, P&I reduced and simplified the permit types. Secondly, an agile testing methodology will be used to receive immediate and accurate feedback from the customer. Lastly, enhanced user training is being conducted, which will allow the customer to make system corrections.</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>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.</p> <p>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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Senior Administrative Assistant (for Permitting); Building Official (for Inspections)</p>	<p>This recommendation has not been implemented as of April 10, 2017 but work continues to progress toward its implementation by the established deadline.</p> <p>In an effort to ensure success, P&I reduced and simplified the permit types. Secondly, an agile testing methodology will be used to receive immediate and accurate feedback from the customer. Lastly, enhanced user training is being conducted, which will allow the customer to make system corrections.</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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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>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.</p> <p>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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Senior Administrative Assistant</p>	<p>This recommendation has been partially implemented as of April 10, 2017 and work continues to progress towards its implementation by the established deadlines. Development Services Department will create a records retention policy to be submitted to the Department of Cultural Resources for approval. This will allow P&I to use the same policy.</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>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.</p> <p>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.</p> <p>Implementation Date: 6/30/2017 Responsible Party: City Manager</p>	<p>This recommendation has not been implemented as of April 10, 2017 but work continues to progress towards its implementation by the established deadlines. The City Manager will propose a new department combining P&I and Code Enforcement. This management structure will maintain City objectives consistent with the State Building Code. 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>	<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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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".</p> <p>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>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.</p> <p>Implementation Date: 4/30/2017 Responsible Party: Planning and Code Enforcement Director</p>	<p>This recommendation has not been implemented as of April 10, 2017 but work continues to progress towards its implementation by the established deadlines. Staff has developed a comprehensive update for Chapter 7 (Building Code) to address these issues. It has been presented to City Council and has been referred to the Audit Committee for review. 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>	<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>
6	<p>Internal Audit recommends the Permitting and Inspections Department work with the Information Technology Department to develop and implement a process to ensure certificates of occupancy/compliance are not issued prior to all inspections being documented as finalized. Permitting and Inspections management should also streamline and automate documentation for certificate of occupancy and certificate of compliance and encourage appropriate utilization of automated resources to promote efficiency and accountability in the inspection approval process for temporary and final certificates of occupancy and certificates of compliance.</p>	<p>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.</p> <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>Implementation Date: 11/30/2016 (workaround) TBD ultimate resolution Responsible Party: Information Technology Information Manager</p>	<p>This recommendation has been partially implemented as of April 10, 2017 and work continues to progress towards its implementation by the established deadlines. As of 11/30/2016 all certificates of occupancy and certificate of compliance that are printed prior to final inspections being completed are watermarked with the word INVALID across them.</p> <p>In the case of temporary certificate of occupancy's (TCO), IT will determine the capability of flagging the TCO and notifying the owner that it is expiring and the final CO must be issued. The revised comprehensive Building Code will reflect that a designated P&I staff member will sign a TCO or CO.</p> <p>Staff has developed a comprehensive update for Chapter 7 (Building Code) to address these issues. It has been presented to City Council and has been referred to the Audit Committee for review. 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>	<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>
7	<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>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>Implementation Date: 10/5/2016 Responsible Party: Building Official</p>	<p>This recommendation has been implemented effective October 5, 2016.</p>	<p>This recommendation has been implemented effective October 5, 2016.</p>

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8	Update enforcement actions within Fayetteville City Code to ensure contractors comply with the North Carolina State Building Code.	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. Implementation Date: 4/30/2017 Responsible Party: Planning and Code Enforcement Director	This recommendation has not been implemented as of April 10, 2017 but work continues to progress towards its implementation by the established deadlines. Staff has developed a comprehensive update for Chapter 7 (Building Code) to address these issues. It has been presented to City Council and has been referred to the Audit Committee for review. 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. 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.	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.

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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.</p> <p>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.</p> <p>Permitting and Inspections management should ensure Permitting and Inspections personnel read and understand the <i>City of Fayetteville Policy # 114 Information Technology Appropriate Usage</i>, 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>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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: 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 recommendation has been partially implemented as of April 10, 2017 and work continues to progress towards its implementation by the established deadlines. Controls have been put in place to not allow users to delete tasks from the workflow.</p> <p>IT has worked with P&I to reconstruct permits and remove unnecessary steps in the workflow. Group level control configuration based on permit type will be applied to the new permit types.</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>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.</p> <p>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.)</p> <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>Implementation Date: 11/30/2017 Responsible Party: Senior Administrative Assistant (Permitting); Building Official (Inspections)</p>	<p>This recommendation has been partially implemented as of April 10, 2017 and work continues to progress towards its implementation by the established deadlines. P&I has implemented quality reviews for all four trades, to be done by supervisors in a timely manner. The application will now allow a manager to conduct a quality review of an inspection. The staff is working with IT to develop and refine existing reports to enhance the reviews. Policies and procedures will be put in place for accountability measures.</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>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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Senior Administrative Assistant (for Permitting); Building Official (for Inspections)</p>	<p>This recommendation has been partially implemented as of April 10, 2017 and work continues to progress towards its implementation by the established deadlines. P&I is revising performance measures for better definition and clarity and will train staff to capture information to be used in decision making. Staff will meet with homebuilders to gain feedback from them on the measures tracked. A quality inspection task has been added (10/19/2016) to Cityworks and can be added to the workflow at anytime by the supervisors. Once performance measures are established by P&I, IT will work with management to develop the necessary operational performance management reports.</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	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>This will require a great deal of input and assistance from Information Technology.</p> <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>Implementation Date: 6/30/2017 Responsible Party: IT Project Manager</p>	<p>This recommendation has been implemented. Timmons and IT designed a comprehensive regression test framework that P&I will populate in order to determine data integrity issues that may be the result of software upgrades. Software enhancements will be corrected through new upgrade testing standards, and the permit modification that are currently underway. All permits and reports will be thoroughly tested in the test environment before moving to production.</p> <p>In an effort to ensure success, P&I reduced and simplified the permit types. Secondly, an agile testing methodology will be used to receive immediate and accurate feedback from the customer. Lastly, enhanced user training is being conducted, which will allow the customer to make system corrections.</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&I will populate in order to determine data integrity issues that may be the result of software upgrades.

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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>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"> · Annual training conducted by the Building Official regarding the administrative requirements and standards of the North Carolina Building Code. · Non-inspector personnel currently participate in the weekly one-hour training of inspectors by the Inspections Supervisors. · Periodic non-inspector personnel “ride-alongs” with inspectors to establish familiarity with the practical challenges of construction inspection from the perspective of certified inspectors. · Formal training in the administration of construction permitting through the Certified Permit Technician coursework developed by the NC Department of Insurance. · 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. · Cityworks-specific training in the form of online courses, on-site training, and webinars offered by the software integrator and the software developer. · Annual review of relevant City and departmental policies conducted by the Senior Administrative Assistant. · Personnel from the State Licensing Board can be requested to provide periodic training on licensing issues. · 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. <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>Implementation Date: 6/30/2017 Responsible Party: Interim Permitting and Inspections Director</p>	<p>This recommendation has not been implemented as of April 10, 2017 but work continues to progress toward its implementation by the established deadline.</p> <p>Department management is recommending that zoning technicians should receive cross training to assist permit technicians as needed.</p> <p>CityWorks training will be ongoing and consistent to increase familiarity with the program, thereby improving understanding and efficiency.</p> <p>This will include a vendor representative to conduct on-site training for staff, taking place after permit reconstruction is completed.</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 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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Information Technology Project Manager</p>	<p>This recommendation has been partially implemented as of April 10, 2017 and work continues to progress towards its implementation by the established deadlines. IT is working with P&I to create new standard reports as well as modify existing reports to reflect the need of the department. Through the Administrator Report Writing training, the department can now create ad hoc reports to address new efficiency related reports.</p>	<p>IT has been working with P&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 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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Interim Permitting and Inspections Director</p>	<p>This recommendation has been partially implemented as of April 10, 2017 and work continues to progress towards its implementation by the established deadlines.</p> <p>IT has conducted several user training sessions as well as assisted P&I with process improvement efforts in the creation of new reconstructed permits. IT will continue to assist with future enhanced report writing training.</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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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>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.</p> <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>Implementation Date: 11/30/2017 Responsible Party: Senior Administrative Assistant</p>	<p>This recommendation has been partially implemented as of April 10, 2017 and work continues to progress towards its implementation by the established deadlines. Automatic expiration has been implemented after six months with no inspections performed. Any permit that is 6 months old with no scheduled inspection expires and a notice is sent to the customer 1 month prior to the expiration date and again on the expiration date. If a permit has a scheduled inspection, the expiration date is extended to 1 year from the date of the inspection.</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.</p> <p>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.</p> <p>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.</p> <p>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>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.</p> <p>Staff will propose revisions to the City Code to ensure compliance with the NC Building Code.</p> <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>Implementation Date: 4/30/2017 Responsible Party: IT Project Manager for permit expiration notices; Planning and Code Enforcement Director for changes to City Code.</p>	<p>This recommendation has been partially implemented as of April 10, 2017 and work continues to progress towards its implementation by the established deadlines. 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.</p> <p>Staff has developed a comprehensive revision for Chapter 7 (Building Code) to address these issues. It has been presented to City Council and has been referred to the Audit Committee for review. 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>	<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>

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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>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.</p> <p>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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Chief Information Officer</p>	<p>This recommendation has been implemented (02/09/2017). This has been addressed and tested. We are receiving the most current data from the County. 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>	<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>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.</p> <p>Implementation Date: 6/30/2017 Responsible Party: Building Official</p>	<p>This recommendation has been partially implemented by April 10, 2017 but work continues to progress toward its implementation by the established deadline. P&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&I management have contacted the stakeholders to provide information on the revised fee schedule and incorporated the feedback received, much of which was positive. A compromise was reached concerning unheated space in single family residences.</p>	<p>P & 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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20	<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.</p> <p>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.</p> <p>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.</p> <p>Once these processes are established, Permitting and Inspections management should ensure personnel are adequately trained on them.</p>	<p>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.</p> <p>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.</p> <p>Implementation Date: 6/30/2017 Responsible Party: Senior Administrative Assistant</p>	<p>This recommendation has been partially implemented by April 10, 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. IT has enhanced reports to show refunds. Policies and procedures will be written and implemented by June 30, 2017. Pending for July, Aug, Sept reconciliations.</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>
21	<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>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> <p>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.</p> <p>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.</p> <p>Implementation Date: 10/3/2016 Responsible Party: Senior Administrative Assistant</p>	<p>This recommendation has been implemented. The Home Owner Recovery fee for the first quarter of FY17 (Jul-Sept) was reconciled back to the General Ledger successfully. However, the report designated for the Homeowner Recovery Fee has been reviewed by IT. 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>	<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>

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22	<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.</p> <p>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.</p> <p>Permitting and Inspections management should ensure quality reviews are done for all cash receipt processes.</p>	<p>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.</p> <p>The Senior Administrative Assistant prepared a department Refund Procedures & 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.</p> <p>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.</p> <p>Implementation Date: 6/30/2017 Responsible Party: Senior Administrative Assistant</p>	<p>This recommendation has not been implemented as of April 10, 2017 but work continues to progress toward its implementation by the established deadline. Policies and procedures are in process to ensure that all cash handlers are reviewing Cash Handling General Procedures annually. A formal written policy and reviews will be implemented upon hiring of the newly established Permit Technician Supervisor.</p> <p>The written refund policy will be addressed upon the training of the newly created Permit Technician Supervisor position, as well as quality reviews on a consistent basis.</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>
23	<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.</p> <p>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>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.</p> <p>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.</p> <p>Implementation Date: 9/30/2017 Responsible Party: Interim Permitting and Inspections Director</p>	<p>This recommendation has been partially implemented by April 10, 2017 but work continues to progress toward its implementation by the established deadline. Management recently created the Permit Technician Supervisor position for better oversight of the Permit Technicians. Upon hiring, the Permit Technician Supervisor will establish policy and procedures for opening mail, recording transactions and checks being opened with dual review.</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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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>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.</p> <p>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>Implementation Date: 9/30/2016 Responsible Party: Senior Administrative Assistant</p>	<p>This recommendation has been implemented effective September 30, 2016.</p>	<p>This recommendation has been implemented effective September 30, 2016.</p>
25	<p>Permitting and Inspections management should coordinate with the Information Technology Department and/or the software developer to develop controls within Cityworks to ensure permits are not printed before all pre-permitting requirements are met and the hardcoded status on the permit should read the status within Cityworks.</p> <p>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>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.</p> <p>We will coordinate with the Department of Insurance to determine the need for building inspectors to issue trade permits.</p> <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>Implementation Date: 11/30/2016 for the workaround. TBD for the ultimate resolution. Responsible Party: IT Project Manager</p>	<p>This recommendation has been partially implemented as of April 10, 2017 but work continues to progress toward its implementation by the established deadline. Cityworks was not designed to print based on the status of a permit or task.</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 added a watermark to indicate that the permit is not to be used to start work. Users can use the Cityworks search and inbox to generate reports on expired permits. Furthermore management recommends that Zoning opens the case in the Cityworks application</p> <p>Staff has developed a comprehensive revision for Chapter 7 (Building Code) to address these issues. It has been presented to City Council and has been referred to the Audit Committee for review. 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>	<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.</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>

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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.</p> <p>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.</p> <p>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.</p> <p>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 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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Building Official; Senior Administrative Assistant</p>	<p>This recommendation has been partially implemented as of April 10, 2017. IT continues to work the Permitting & Inspection Staff to develop the necessary exception based reports.</p> <p>Staff has developed a comprehensive revision for Chapter 7 (Building Code) to address these issues. It has been presented to City Council and has been referred to the Audit Committee for review. 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> <p>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> <p>P&I has implemented quality reviews for all four trades, to be done by supervisors in a timely manner. The staff is working with IT to develop and refine existing reports to enhance the reviews. Policies and procedures will be put in place for accountability measures.</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>

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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.</p> <p>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>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <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>Implementation Date: 9/30/2017 Responsible Party: Planning and Code Enforcement Director (code changes); Senior Administrative Assistant (procedures)</p>	<p>This recommendation has been partially implemented as of April 10, 2017. IT continues to work with the Permitting & Inspection Staff to develop the necessary exception based reports.</p> <p>Staff has developed a comprehensive revision for Chapter 7 (Building Code) to address these issues. It has been presented to City Council and has been referred to the Audit Committee for review. 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> <p>Under current staffing it is permissible for the issuance of the trade permits by the Permitting Technicians. When Permitting is at full staff, we will have procedures in place for the overview of all trade permits. Additionally, the Permit Technicians review all contractors' licenses prior to permit issuance to ensure validity.</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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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>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.</p> <p>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.</p> <p>Information Technology is working with software developer to bring a Cityworks PLL trainer on site to provide specialized PLL training.</p> <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>Implementation Date: 11/15/2016 Responsible Party: Interim Permitting and Inspections Director and Information Technology Director</p>	<p>This recommendation has been implemented. 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. IT provided PLL Training to Permit Tech to show them how to search and make general corrections to permits.</p>	<p>This recommendation is partially implemented. 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>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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Building Official</p>	<p>This recommendation has been partially implemented as of April 10, 2017 but work continues to progress toward its implementation by the established deadline. 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> <p>Policies and procedures are being written and enhanced user training is being conducted to assist inspectors in logging in inspection upon arrival at assignment and the results of the inspection before moving on.</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>

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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>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.</p> <p>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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Building Official</p>	<p>This recommendation has been partially implemented as of April 10, 2017 but work continues to progress toward its implementation by the established deadline. As an interim fix, controls have been put in place to not allow users to delete tasks from the workflow. IT has worked with P&I to reconstruct permits and remove unnecessary steps in the workflow. Group level control configuration based on permit type will be applied to the new permit types.</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>
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.</p> <p>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>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>Implementation Date: 6/30/2017 Responsible Party: Building Official</p>	<p>This recommendation has been partially implemented as of April 10, 2017 but work continues to progress toward its implementation by the established deadline AVL Technology has been fitted and operational on Permitting and Inspections Vehicles.</p> <p>Policies and procedures will be written to clarify management's expectations and guidance and training will be provided upon approval.</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>

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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>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.</p> <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>Implementation Date: 11/15/2016, with the City Code Changes to occur in January 2017 Responsible Party: 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 implemented 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.</p> <p>Staff has developed a comprehensive revision for Chapter 7 (Building Code) to address these issues. It has been presented to City Council and has been referred to the Audit Committee for review. 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>	<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 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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Building Official</p>	<p>This recommendation has not yet been implemented by April 10, 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> <p>Cityworks is capable of handling a variety of fee calculations out the box and custom fee calculations can be added as necessary. When the new fee schedule is approved IT will work with permitting and inspection staff to update the existing fee schedule with the new fees and calculations. IT will also train the departmental SME how to manage and update fees and fee calculations.</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	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>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.</p> <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>Implementation Date: 6/30/2017 Responsible Party: Building Official</p>	<p>This recommendation has not been implemented as of April 10, 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 work with the vendor to program City Works with the new fees. A policy will be written to reflect the new call back requirements.</p> <p>In an effort to ensure success, P&I reduced and simplified the permit types. Secondly, an agile testing methodology will be used to receive immediate and accurate feedback from the customer. Lastly, enhanced user training is being conducted, which will allow the customer to make system corrections.</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	Consider implementing multi-trade inspections, specifically HVAC permits, to enhance scheduling flexibility, reduce drive times and improve response times.	<p>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>Implementation Date: 10/1/2016 Responsible Party: Building Official</p>	<p>This recommendation has been implemented effective October 1, 2016.</p>	<p>This recommendation has been implemented effective October 1, 2016.</p>

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Office of Internal Audit

Audit Committee

April 27, 2017

3:30 pm

Presented by: Elizabeth Somerindyke, Internal
Audit Director



Internal Audit Agenda Items

April 27, 2017 Audit Committee Meeting

Internal Audit Activities:

- a. Police Department's Confidential Funds Audit
April 2017 (A2017-02)
- b. Unannounced Petty Cash and Change Funds
Follow-up Audit April 2017 (AF2015-04)
- c. Status Update on Current Projects



Police Department Confidential Funds

Police Department's Confidential Funds Compliance Audit

Dated: April 2017



Police Department Confidential Funds

Background

- Audit plan for FY17 approved the audit of Police Department confidential funds;
- Audit conducted pursuant to FPD OP 5.8, confidential funds audit performed annually;
- Special Investigation Division administers and controls informant/expenditure cash fund;
- Original budget for FYE2016 - \$100,000;
- Allowable use is for undercover or investigative operations;
- Provides ability to conceal officer identity; and
- Narcotics Unit Lt is custodian of the fund.



Police Department Confidential Funds

Objectives

- Ensure funds administered in accordance with established laws, regulations, guidelines, policies and procedures;
- Proper internal controls existed and working as intended;
- Expenditures and withdrawals were authorized, approved, recorded and records maintained; and
- Sufficient corrective actions were taken for prior audit reports.



Police Department Confidential Funds

Scope

- Current practices related to confidential funds; and
- Confidential fund activity from July 1, 2015 to November 30, 2016.



Police Department Confidential Funds

Methodology

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

- Reviewed Police Dept policies, procedures and guidelines to actual practices;
- Interviewed personnel involved in administering, maintaining and using funds;
- Reviewed accounting records, Records Management System and Power DMS; and
- Selected and audited a sample of personnel that utilized and/or maintained funds.



Police Department Confidential Funds

Methodology

<u>Audited Expenditures of Confidential Funds¹</u>	<u># of Transactions</u>	<u>Amount</u>
Payments to Non-Departmental Personnel	70	\$ 12,479.70
Purchase of Contraband	41	\$ 32,590.00
Special Investigative Expense	<u>02</u>	<u>\$ 49.09</u>
Total Expenditures Audited	113	\$ 45,118.79

¹Does not include "administrative transfer of funds". These are funds that are transferred from one officer to another and are not expenditures of the funds.



Police Department Confidential Funds

Audit Results (A2017-02)

- The Police Department's Special Investigation Division was in compliance with the organization's policies and procedures; applicable laws, regulations and guidelines, and adequate internal controls existed.
- There were no significant exceptions noted.



Police Department Confidential Funds

Follow-up Audit Results (A2016-01 and 2015)

Original Finding #1 (A2016-01)

- Police Department operating procedures were inconsistent with actual processes and controls in practice.

Original Recommendation:

- Update operating procedures relevant to the handling of confidential funds and ensures all personnel comply with the written operating procedures.

Status of Recommendation:

- Implemented



Police Department Confidential Funds

Follow-up Audit Results (A2016-01 and 2015)

Original Finding #2 (A2016-01)

- Supervisory review and approval was not always documented.

Original Recommendation:

- Ensure personnel are trained and adhere to the policies and procedures, written prior approval limits and obtain all appropriate approvals.

Status of Recommendation:

- Implemented



Police Department Confidential Funds

Follow-up Audit Results (A2016-01 and 2015)

Original Finding #3 (A2016-01)

- Proper segregation of duties was lacking.

Original Recommendation:

- Ensure an effective separation between confidential funds transactions and approvals of those transactions. Personnel independent of the transaction should approve any forms related to the transaction.

Status of Recommendation:

- Implemented



Police Department Confidential Funds

Follow-up Audit Results (A2016-01 and 2015)

Original Finding #4 (A2016-01)

- RMS disposal records did not provide adequate documentation to account for transfers from the Evidence Room to the Narcotics Unit.

Original Recommendation:

- Update operating procedures regarding the transfer of confidential funds (buy money) to/from the Evidence Room and RMS.

Status of Recommendation:

- In Progress



Police Department Confidential Funds

Follow-up Audit Results (A2016-01 and 2015)

Original Finding #5 (A2016-01)

- Cash evidence records were incomplete.

Original Recommendation:

- Update RMS so all evidence from evidence cards has a unique identifier for tracking the evidence

Status of Recommendation:

- Not Implemented

Follow-up Recommendation:

- Internal Audit to conduct an audit of all currency evidence held by the Police Department on the fiscal year 2018 audit plan.

Management Response: Concur



Police Department Confidential Funds

Follow-up Audit Results (A2016-01 and 2015)

Original Finding #4 (Report 2015)

- Accounting for Funds

Original Recommendation:

- Personnel independent of the NVU conduct monthly audit and prepare the expenditure report for the confidential cash fund.

Status of Recommendation:

- Implemented



Police Department Confidential Funds

We ask the Audit Committee consider
and accept the Police Department's
Confidential Funds Audit A2017-02



Petty Cash and Change Funds Follow-up

Unannounced Review of Petty Cash and Change Funds Follow-up

Dated: April 2017



Petty Cash and Change Funds Follow-up

Background

- Audit plan for FY17 approved the follow-up audit for the unannounced review of petty cash and change funds.
- Internal Audit issued Unannounced Review of Petty Cash and Change Funds in January 2016 with recommendations to improve oversight.



Petty Cash and Change Funds Follow-up

Objectives

- Determine if original audit recommendations had been implemented by management.

Scope

- Limited to actions taken to remediate original observations.



Petty Cash and Change Funds Follow-up

Methodology

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

- Examined a listing of all petty cash and change funds;
- Reviewed policies governing the use of the funds; and
- Performed unannounced cash counts on a sample of funds.



Petty Cash and Change Funds Follow-up

Follow-up Audit Results

Original Observation #1

- Policies and procedures were not available for change funds.

Original Recommendation:

- Establish policies for change funds and ensure compliance.

Status of Recommendation:

- Implemented



Petty Cash and Change Funds Follow-up

Follow-up Audit Results

Original Observation #2

- Petty cash and change funds were not maintained at authorized amounts.

Original Recommendation:

- Ensure authorized amounts are properly adjusted and recorded.

Status of Recommendation:

- Implemented



Petty Cash and Change Funds Follow-up

Follow-up Audit Results

Original Observation #3

- Policies and procedures did not require written documentation of petty cash or change fund periodic reconciliations.

Original Recommendation:

- Written reconciliation of petty cash and change funds should be required.

Status of Recommendation:

- Implemented



Petty Cash and Change Funds Follow-up

Follow-up Audit Results

Original Observation #4

- Procedures for notification of custodian or transfers of custodian were not clear.

Original Recommendation:

- Maintain listing of authorized custodians for all funds.

Status of Recommendation:

- Implemented



Petty Cash and Change Funds Follow-up

Follow-up Audit Results

Original Observation #5

- There was a lack of adequate safeguarding for petty cash and change funds.

Original Recommendation:

- Petty cash and change funds should be secured from theft and loss.

Status of Recommendation:

- Implemented



Petty Cash and Change Funds Follow-up

Follow-up Audit Results

Original Observation #6

- Examination of petty cash and change funds was needed to ensure balances were aligned with need.

Original Recommendation:

- Periodic review of all petty cash and change funds to determine if the need for the fund still exists.

Status of Recommendation:

- Implemented



Petty Cash and Change Funds Follow-up

Follow-up Audit Results

Original Observation #7

- Examination of petty cash and change funds was needed to ensure balances were aligned with actual practice.

Original Recommendation:

- Update general ledger to reflect the balances held in petty cash and change funds by each department.

Status of Recommendation:

- Implemented



Petty Cash and Change Funds Follow-up

Follow-up Audit Results

Original Observation #8

- The usage of petty cash was not in accordance with North Carolina General Statutes.

Original Recommendation:

- City Council should adopt ordinance for compliance with the North Carolina General Statutes.

Status of Recommendation:

- Implemented



Petty Cash and Change Funds Follow-up

We ask the Audit Committee consider and accept the Unannounced Review of Petty Cash and Change Funds Follow-up AF2015-04



Internal Audit Update

Status Update on Internal Audit Projects

City of
Fayetteville
North Carolina

Questions?

Thank You!



City of
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