

**AUDIT SUBCOMMITTEE QUARTERLY MEETING MINUTES
LAFAYETTE CONFERENCE ROOM, 1ST FLOOR
CITY HALL, 433 HAY STREET, FAYETTEVILLE
THURSDAY, APRIL 27, 2017
3:30 P.M.**

Subcommittee Members Present: Nat Robertson, Chair
Pamela Jackson, Vice Chair
Council Member Bill Crisp
Council Member Bobby Hurst
Michelle Hall, Fayetteville Technical Community College

Others Present: Fayetteville-Cumberland Youth Council Members

Staff Present: Kristoff Bauer, Deputy City Clerk
Elizabeth Somerindyke, Internal Audit Director
Lisa Harper, Assistant City Attorney
Michael Petti, Assistant Police Chief
Christopher Davis, Assistant Police Chief
Ray Oxendine, City Treasurer
Traci Carraway, Internal Auditor, Internal Audit
Jennifer Ayre, Senior Administrative Assistant
Scott Shuford, Planning and Code Enforcement Services Director

1. Call to Order

Mayor Robertson called the meeting to order at 3:33p.m.

2. Approval of Agenda

MOTION: Pamela Jackson moved to approve the agenda

SECOND: Council Member Crisp

VOTE: UNANIMOUS (5-0)

3. Approval of Minutes

January 26, 2017 and February 23, 2017

MOTION: Council Member Crisp moved to approve the minutes

SECOND: Michelle Hall

VOTE: UNANIMOUS (5-0)

4. Internal Audit Activities

4.1 Police Department's Confidential Funds (A2017-02)

According to the Police department operating procedures the confidential funds must be audited annually.

The scope of audit was July 1, 2015 thru Nov 30, 2016. The audited sample was judgmentally selected which means Internal Audit received a list of all personnel that have used or held funds and reviewed who used or requested funds the most as well as those officers that have money not being used. They choose

whom they audit from that list after cross referencing to ensure they are not auditing someone from the year prior again.

Council Member Crisp asked how the administrative transfer of funds is tracked. Assistant Chief Davis stated that there is paperwork that is approved through the lieutenant. Transfers between officers in the field is not done now, there are plans in place before the officer goes undercover for a buy.

Council Member Hurst asked what the difference between our Internal Audit is and the Commission on Accreditation of Law Enforcement Agencies (CALEA). Assistant Chief Petti stated the City internal audit is much more in depth and CALEA looks more at broad policies and procedures.

Audit Results

No significant exceptions noted or findings during this year's audit

The Follow-up Audit Results

FINDING 1: A2016-01: Controls implemented

Originally the Narcotics Lieutenant was approving expenditures during monthly reconciliation. This has now changed to the Lieutenant approving in advance, unless he is unavailable and it is approved by a Captain prior to the buy.

FINDING 2: A2016-01: Supervisory review and approval is now always documented.

FINDING 3: A2016-01: Proper segregation of duties was lacking. Updated operating procedure 5.8 for confidential funds and use of informants.

FINDING 4: A2016-01: RMS disposal records did not provide adequate documentation to account for transfers from the Evidence Room to the Narcotics Unit. There were no transfers this year from evidence to narcotics so the finding and implementation of recommendations were unable to be tested.

FINDING 5: A2106-01 and 2015: Cash evidence records were incomplete. Stated there would be 100% audit of any cash evidence. As of the follow up there were still some inconsistencies. Mrs. Somerindyke stated Internal Audit did not notice any misappropriation of funds.

MOTION: Pamela Jackson to accept the A2017-02 Confidential Funds Audit

SECOND: Michelle Hall

VOTE: UNANIMOUS (5-0)

4.2 Unannounced Review of Petty Cash and Change Funds (AF2015-04)

OBSERVATION 1: No policies and procedures for change funds. Establish policies for change funds and ensure the policies are followed. Recommendations were implemented.

OBSERVATION 2: Petty Cash and change funds were not maintained at authorized amounts. Funds are all now in accordance with the general ledger and controls are in place. Recommendations were implemented.

OBSERVATION 3: Policies and procedures did not require written documents of petty cash or change fund periodic reconciliations. Implemented written reconciliations. Recommendation was implemented.

OBSERVATION 4: Procedures for notification of custodian or transfers of custodian were not clear. Recommended the names of all fund custodians to be included when a petty cash or change fund is requested with an alternate as well. The recommendation was implemented.

OBSERVATION 5: Lack of safeguarding for petty cash and change funds. The change funds and petty cash are now secured. Recommendations were implemented.

OBSERVATION 6: Examination of petty cash and change funds were needed to ensure balances were aligned with need. Finance department did close some of the petty cash and funds after review. Recommendations were implemented.

OBSERVATION 7: Examination of petty cash and change funds was needed to ensure balance were aligned with actual practice. Recommendation implemented.

OBSERVATION 8: Petty cash was not in accordance with NC General Statute. Council adopted an ordinance to bring the City's policies into compliance. Recommendation was implemented.

MOTION: Council Member Hurst moved to accept the Unannounced Review of Petty Cash and Change Funds Follow-Up AF2015-04

SECOND: Pamela Jackson

VOTE: UNANIMOUS (5-0)

4.3 Status Update on Current Projects

- Looking at contract delegation thresholds to ensure they are in compliance
- Procurement card review field work is being finished up
- Fiscal Year 2018 risk assessment will begin with interviews of staff and budget work sessions.
- Preparing annual report for City Council.
- Parks and Recreation charges a non-residential fee and will soon begin being audited.

5 City Code Amendments Related to Internal Audit Recommendations

If City Council adopts the Ordinance to Amending Various Sections of Article III, Enforcement, of Chapter 7, Building Code, of the Code of Ordinances of the City of Fayetteville, North Carolina it will assist in fulfilling almost eight recommendations. Policy changes have been drafted and are in affect now. Code enforcement has been using the state statute of 6 months, but need to update city ordinance to be fully in accordance.

Council Member Crisp stated he would like to see the change in costs from the change in statutes.

Mayor Robertson stated that there was ambiguous wording in the demolition policy for bonding and liability. Mr. Shuford explained that "good and proper performance bond and/or liability" was dependent on circumstances. It would typically address large structures. A specific number was not provided as it may under require some properties, but over require most properties.

Mayor Robertson asked who makes the decision if bond and liability insurance is needed. Mr. Shuford stated it is required to have at least a million dollars in liability insurance per code. The code enforcement department determines what is needed after evaluation.

The ordinance will be presented at the May 8, 2017 regular meeting.

6 Quarterly Management Implementation Status Report

Status report provided in the agenda packet is an information item only. There was no discussion.

7 Adjournment

There being no further business, the meeting adjourned at 4:23 p.m.

Respectfully submitted,

JENNIFER L. AYRE
Senior Administrative Assistant
042717

MAYOR NAT ROBERTSON
Subcommittee Chair