

**AUDIT COMMITTEE MINUTES
LAFAYETTE CONFERENCE ROOM, 1ST FLOOR
CITY HALL, 433 HAY STREET, FAYETTEVILLE
THURSDAY FEBRUARY 1, 2018
3:30 P.M.**

Committee Members Present: Pamela Jackson, Vice Chair
Bill Crisp, Council Member
Larry Wright, Council Member
Wade Fowler, PWC Commissioner (via telephone)

Others Present: Linda Murphy, RSM US LLP (Departed at 4:24 p.m.)
Lou Cannon, Partner, RSM US LLP (Departed at 4:24 p.m.)
Media

Staff Present: Elizabeth Somerindyke, Internal Audit Director
Karen McDonald, City Attorney
Douglas Hewett, City Manager
Telly Whitfield, Assistant City Manager (Departed at 4:24 p.m.)
Cheryl Spivey, Chief Financial Officer (Departed at 4:24 pm.)
Kim Toon, Purchasing Manager
Rose Rasmussen, Senior Internal Auditor, Internal Audit
Tracey Carraway, Internal Auditor, Internal Audit
Gina Hawkins, Police Chief
Lisa Harper, Assistant City Attorney
Michael Martin, Assistant Director of Development Services
Jennifer Ayre, Senior Administrative Assistant

1. Call to Order

Vice Chair Jackson called the meeting to order at 3:38 p.m.

2. Introduction of New Audit Committee Members

Council Member Larry Wright introduced himself as Council Member, District Seven.

3. Discussion of Appointment of Officers

Ms. Somerindyke asked if the Committee would like to vote on a Chairman and Vice Chairman. Ms. McDonald stated that because it is Vice Chair Jackson's last meeting it would be prudent to vote for both; however since two Committee members are not in attendance allow Vice Chairman to continue serving in the capacity and make the appointment of officers as the first item of business at the next meeting.

4. Approval of Agenda

MOTION: Council Member Crisp moved to approve the agenda

SECOND: Council Member Wright

VOTE: UNANIMOUS (4-0)

5. Approval of Minutes

October 26, 2017

MOTION: Council Member Wright moved to approve the October 26, 2017 minutes

SECOND: Council Member Crisp

VOTE: UNANIMOUS (4-0)

6. Fiscal Year Ended June 30, 2017 Comprehensive Annual Financial Report and Audit Results (Presented by Lou Cannon, Partner, RSM US LLP)

Ms. Cheryl Spivey introduced Lou Cannon, Partner with RSM and Linda Murphy, Manager of the Audit.

Mr. Cannon presented a PowerPoint slide presentation regarding the Comprehensive Annual Financial Report for fiscal year 2017.

The City of Fayetteville received an unmodified “clean” opinion which is the highest level of assurance.

Mr. Cannon stated the audit also reviewed control deficiencies. Deficiencies exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct an error on a timely basis. Deficiencies are categorized in three different ways: Control Deficiency (Minor), Significant (Acute), and Material Weakness (Severe).

Two material weaknesses were found at PWC, a work order module and the classification of net positions (already addressed), and one significant deficiency at the City, general IT policy and procedure controls (City has a plan to address).

Mr. Cannon presented the required Statement on Auditing Standards (SAS) #114.

Mr. Cannon thanked the staff for all of their help in providing requested details in a professional manner and team effort.

MOTION: Council Member Crisp moved to accept the Comprehensive Annual Financial Report and Audit Results For Year Ending June, 20, 2017

SECOND: Mr. Wade Fowler

VOTE: UNANIMOUS (4-0)

7. Internal Audit Activities (Presented by Elizabeth Somerindyke, Internal Audit)

Ms. Somerindyke stated the Annual Police Department Confidential Funds Compliance Audit was performed by internal audit to evaluate compliance with the Police Department’s Special Investigative Division’s policies and procedures as well as any state laws. Review was from July 1, 2016 – September 30, 2017.

Council Member Wright asked about items that are acquired during an arrest that are kept in evidence. He asked if money acquired during arrests, if after a certain time, can it be used by the City. Chief Hawkins stated that the laws regarding retention of items is very detailed. If it is seized under regular process it goes to state education, if federally seized a percentage can be used, the City can also tax the individual on the items seized.

MOTION: Council Member Wright to accept the Police Department Confidential Funds Compliance Audit for March 2018

SECOND: Council Member Crisp

VOTE: Unanimous (4-0)

8. Quarterly Management Implementation Status Report

No information was presented.

Council Member Crisp wanted to verify that the permitting and inspections issues that were presented at an earlier meeting are still being addressed. Mr. Martin stated that the findings are still being worked and they have given a completion date of September 30, 2018. Ms. Somerindyke stated that they will re-audit after six months from completion and report back to the Audit Committee

9. Adjournment

There being no further business, the meeting adjourned at 4:41p.m.

MOTION: Council Member Crisp moved to adjourn

SECOND: Mr. Wade Fowler

Respectfully submitted,

JENNIFER L. AYRE
Senior Administrative Assistant
020118

PAMELA JACKSON
Committee Vice Chair