

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

## COMMITTEE

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

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

**1.0 CALL TO ORDER**

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

**2.0 APPROVAL OF AGENDA**

**MOTION: Council Member Bobby Hurst**

**SECOND: Mrs. Evelyn Shaw**

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

**3.0 INTRODUCTION OF MEMBERS**

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

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

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

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

Ms. Rose Rasmussen: Senior Internal Auditor

Ms. Traci Carraway: Internal Auditor

Mrs. Elizabeth Somerindyke: Director of Internal Audit

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

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

Evelyn O. Shaw: Chair of the Public Works Commission

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

Douglas Hewett: City Manager.

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

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

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

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

**SECOND: Mrs. Evelyn Shaw**

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

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

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

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

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

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

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

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

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

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

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

Mayor Robertson asked for approval of bylaws.

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

**SECOND: Mrs. Evelyn Shaw**

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

## **6.0 AUDIT ACTIVITIES**

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

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

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

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

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

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

**SECOND: Council Member Bobby Hurst**

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

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

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

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

Finding # 1

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

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

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

Finding # 3

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

Finding # 6

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

Finding # 7

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

Finding # 14

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

Finding # 17

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

Finding # 21

Per Mr. Shuford this finding has been corrected

Finding # 22

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

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

Finding # 24

Per Mr. Shuford this finding has been corrected.

Finding # 27

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

Finding # 29

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

Finding # 30

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

Finding # 31

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

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

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

**SECOND: Dr. Pamela Jackson**

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

Finding # 35

Per Mr. Shuford this finding has been corrected.

**7.0 ADJOURNMENT**

**MOTION: Council Member Bill Crisp**

**SECOND: Council Member Bobby Hurst**

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

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

Respectfully submitted,

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JENNIFER L. AYRE  
Senior Administrative Assistant

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NAT ROBERTSON  
Mayor

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