

AUDIT COMMITTEE  
LAFAYETTE CONFERENCE ROOM, 1<sup>ST</sup> FLOOR CITY HALL  
433 HAY STREET, FAYETTEVILLE, NC  
October 26, 2017 - 3:30 PM  
SPECIAL MEETING MINUTES

COMMITTEE  
MEMBERS PRESENT: Mayor Nat Robertson, Chair  
Pamela Jackson, Vice Chair (arrived at 3:35 PM)  
Council Member Bobby Hurst  
Council Member Bill Crisp  
Glenn Goldsmith, Local Community Business Representative  
Wade Fowler, Fayetteville Public Works Commission, Chair

OTHERS PRESENT: Elizabeth Somerindyke, Internal Audit Director  
Traci Carraway, Internal Auditor, Internal Audit  
Douglas Hewett, City Manager  
Karen McDonald, City Attorney  
Kristoff Bauer, Deputy City Manager  
Cheryl Spivey, Chief Financial Officer  
Kimberly Toon, Purchasing Manager  
Michael Gibson, Parks Recreation and Maintenance Director  
Michael Bailey, Interim Permitting and Inspections Director  
Dwayne Campbell, IT Director  
Joseph Vittorelli, IT Project Manager  
Jane Starling, Deputy City Clerk

**1. CALL TO ORDER**

Mayor Nat Robertson, Chair called the meeting to order at 3:34 p.m. and welcomed everyone in attendance.

**2. Introduction of New Audit Committee Member**

Mayor Nat Robertson, introduced Mr. Glen Goldsmith who was appointed to replace Ms. Michelle Hall whose term ended September 30, 2017. Mayor Robertson also introduced Mr. Wade Fowler who recently was elected the Chair of the Fayetteville Public Work Commission (FPWC) and therefore replaced Ms. Evelyn Shaw who was the previous FPWC representative.

**3. APPROVAL OF AGENDA**

**MOTION:** Council Member Hurst moved to approve the agenda as presented.

**SECOND:** Mr. Wade Fowler

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

**4. Approval of Meeting Minutes**

**MOTION:** Council Member Hurst moved to approve the minutes from August 3, 2017 as written.

**SECOND:** Vice Chair Pamela Jackson

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

**5. Internal Audit Activities**

**a. Contracting Practices and Procedures**

The report on compliance audit number 2016-06 was presented by Ms. Elizabeth Somerindyke, Internal Audit Director. Ms. Somerindyke provided a bound copy of the report and a PowerPoint presentation. Ms. Somerindyke stated, due to the establishment of contract signature delegation authority and a new electronic contract routing system, an audit of contracting practices and procedures was included in the fiscal year 2016-2017 audit plan. The Office of Internal Audit assessed compliance with relevant policies, procedures, laws, rules and regulations for contracts/change orders. In order to meet the objectives, Internal Audit examined contract and accounting documents; interviewed personnel; and tested records.

The Parks, Recreation and Maintenance Department (PRM) was selected for this audit due to the volume of City contracts the department processes. The City did not have a central repository for all City contracts, whereas; there was no cumulative record to obtain a complete and accurate listing of all City contracts. Therefore, in order to reasonably ensure a complete contract population was captured, Internal Audit prepared a listing of all transactions from JD Edwards, the City's Financial System, that were charged to PRM as of January 20, 2017 for the current fiscal year which started on July 1, 2016. After reviewing this listing, Internal Audit determined 930 transactions out of 8,957 should have been paid under a contractual agreement. For purposes of this audit, contractual agreements refer to a separate, written agreement that has terms above and beyond those stated in a purchase order. Internal Audit tested 60 contracts from the 930 transactions. Thirty one or 69% of the contracts did not have approved purchase orders. Eleven or 24% of contracts were approved after the service began. Three contracts or 7% had correct purchase orders.

Ms. Somerindyke stated the findings were: 1. Oversight and management of Policy # 120 City of Fayetteville Contracting Practices and Procedures were lacking. 2. Purchase orders and contracts were not always issued in compliance with applicable policies. 3. Contracts are a part of the internal control system but were not always utilized or timely executed.

Ms. Somerindyke stated Internal Audit recommends management determine if the City Manager's Office is the most appropriate department to be responsible for Administrative Policy #120, City of Fayetteville General Contracting Process. Once determined, management should designate personnel/positions responsible for the oversight and management of the policy and ensure those named responsible have the authority to enforce contract policy provisions. Additional recommendations are: 1. Clarify Administrative Policy number 120 to define the conditions under which a purchase order and contracts are required; and require all signatures on contracts in Laserfiche be dated. 2. Add training and monitoring practices to ensure procedures are being followed. 3. A quality control program should be developed to help ensure contracts are obtained prior to purchase or start of service. 4. Management should establish a central repository for all City Contracts.

Mr. Douglas Hewett, City Manager, stated he concurs and is in full agreement with the recommendations. To ensure full implementation and compliance the City Manager will assign the City's Chief Financial Officer the responsibility of providing clarification to Policy #120 in an effort to define the conditions under which a purchase order or contract is required. Also, the Chief Financial Officer will provide training, monitoring, and develop a quality control program to help ensure contract procedures and all contracts are fully executed with all required approvals, signature and the City Seal.

Discussion ensued.

MOTION: FPWC Commissioner Fowler moved to accept the report as written.  
SECOND: Council Member Crisp  
VOTE: UNANIMOUS (6-0)

**b. Status Update on Current Projects**

Ms. Elizabeth Somerindyke, Internal Audit Director gave a verbal report on this item. The current Police Audit of property and evidence was expanded at the request of Gina Hawkins, Police Chief. Chief Hawkins would like a more comprehensive audit of property and evidence and not just the high risk areas. Ms. Somerindyke indicated the Internal Audit Department would be expanding their review per Chief Hawkins request.

Mr. Douglas Hewett, City Manager stated that he and Ms. Cheryl Spivey, Chief Financial Officer have been in negotiations regarding Ms. Spivey's retirement. Mr. Hewett has asked Ms. Somerindyke to assume some of Ms. Spivey's duties which may impact the Internal Audit Departments workload.

## **6. Other Business**

### **a. Procurement Card Follow-up Information**

This item was presented by Ms. Kimberly Toon, Purchasing Manager. Ms. Toon stated this is a reply to the Mayor's question at the last meeting. She provided a memo and list of card holders which was included with the bound report. The Mayor had asked at the last committee meeting for a justification for the number of procurement cards issued to City employees. When Ms. Toon began her investigation the City had a total of two hundred and fifty-seven (257) procurement card users. The procurement cards are issued to employees who need to purchase goods and services as part of their jobs.

Each department director was provided a list of employees who currently have an active City procurement card and asked to provide a written justification for each procurement card user. The majority of the procurement cards are used for training, travel expenses which includes services such as airfares, lodging, car rental, taxis and low dollar value goods. Department directors identified twenty eight (28) procurement cards that are no longer needed, the accounts have been closed and cards returned to Procurement Card Administrator. The City now has two hundred and twenty-nine (229) procurement card users.

As the administrator of the City's procurement card program, the Purchasing division takes the responsibility for providing the procurement card users a clear guidance and documentation to ensure procurement cards purchases are appropriate and oversight practices are adequate.

Discussion ensued.

## **7. Quarterly Management Implementation Status Report**

This report is provided for information purposes only.

## **8. Adjournment**

There being no further business, the meeting adjourned at 4:47 p.m.

Respectfully submitted,

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JANE STARLING  
Deputy City Clerk  
102617

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NAT ROBERTSON  
Mayor