

**AUDIT SUBCOMMITTEE QUARTERLY MEETING MINUTES
SAINT AVOLD CONFERENCE ROOM, 3RD FLOOR
CITY HALL, 433 HAY STREET, FAYETTEVILLE
THURSDAY, DECEMBER 6, 2018
6:00 P.M.**

Committee Members Present: Council Member Crisp
Council Member Dawkins (via telephone)
Darsweil Rogers, PWC Chairman
Council Member Larry Wright

Committee Members Absent: Dr. Pamela Jackson

Others Present: Robby Bittner, Senior Account Manager , RSM
Linda Murphy, Assurance Manager, RSM

Staff Present: Douglas J. Hewett, City Manager
Karen McDonald, City Attorney
Telly Whitfield, Assistant City Manager
Elizabeth Somerindyke, Internal Audit Director
Jay Toland, Interim Chief Financial Officer
Ray Oxendine, Treasurer
Brenda Powell, Financial Reporting Manager
Jodi Picarella, Accounting Manager
Kim Toon, Purchasing Manager
Jennifer Ayre, Deputy City Clerk

1. Call to Order

Mr. Darsweil Rogers called the meeting to order at 6:04 p.m.

2. Approval of the Agenda

MOTION: Council Member Crisp moved to approve the agenda.

SECOND: Council Member Wright

VOTE: UNANIMOUS (4-0)

**3. Approval of the Minutes
October 25, 2018**

MOTION: Council Member Crisp moved to approve the minutes from the October 25, 2018 meeting.

SECOND: Council Member Wright

VOTE: UNANIMOUS (4-0)

2. City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2018

Mr. Jay Toland, Interim Chief Financial Officer introduced Mr. Robby Bittner the Senior Account Manager and Ms. Linda Murphy the Assurance Manager from the outside auditing firm, RSM.

Mr. Robby Bittner, RSM Senior Account Manager, presented a PowerPoint presentation explaining the City's Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2018. Mr. Bittner stated a statistical section of the CAFR is not presented due to RSM not providing any assurance of the statistical section. There are four types of Compliance requirements opinions RSM can provide: Adverse, Disclaim, Qualified, Unmodified. The City received an Unmodified opinion across the board.

Council Member Crisp asked if best practices and deficiencies are presented in the report. Mr. Bittner stated the material deficiencies are not required to be in the "yellow book", but no items met control deficiencies. The best practices are communicated to staff throughout the audit itself instead of being presented in the final report.

Council Member Wright requested what the reason was for the jump in expenditures for public safety from 2015 to 2016. Mr. Hewett stated he would verify the reason why and report back.

Mr. Bittner stated RSM audits under three different standards: Generally Accepted Auditing Standards, Government Auditing Standards which is set forth by the Government Accounting office, and Uniform Guidance that covers federal grants and State Uniform Guidance that covers state grants.

RSM audited three major Federal Programs and three State Programs:

- Federal
 - Home Investment Partnerships Program – CFDA #14.239
 - Airport Improvement Program – CFDA #20.106
 - Federal Transit Cluster – CFDA #20.507
- State
 - Non-state System Street Aid Allocating (Powell Bill)
 - State Maintenance Assistance Program (SMAP)
 - Golden Leaf Foundation Grants

RSM found one material weakness and two significant deficiencies between the City and PWC:

- Material: 2018-001 (PWC), Work order module integration that is repeat finding from a previous year. The auditing firm has been contacted by PWC stating they have a fix for the issue and have requested RSM to review the process again in January.
- Significant: 2018-002 (PWC), IT functionality and the reporting they are able to get from their system
- Significant: 2018-003 (City), Other Post-Employment Benefits Census Information. This became a significant deficiency due to the issue being found throughout multiple funds. The necessary reviews to address the deficiency have already begun by the finance department. The deficiency does not affect the operational activities of the City just on the presentation of the total liability assets.

Mr. Bittner also presented the Auditor's Required Communication – SAS 114. He stated no significant or unusual transactions were noticed. There were no audit adjustments requested by the auditor and no disagreements with management.

Mr. Bittner expressed his thanks to City staff for all of their efforts to ensure the audit went smoothly.

Council Member Wright commended Doug and staff on their work they put in which led to the high audit rating. Mr. Hewett, recognized staff members present for all of their assistance.

MOTION: Council Member Wright moved to approve the City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2018 and forwarded to City Council.

SECOND: Council Member Dawkins

VOTE: UNANIMOUS (4-0)

11. Adjournment

There being no further business, the meeting adjourned at 6:55 p.m.

Respectfully submitted,

JENNIFER L. AYRE
Deputy Clerk
120618

DARSWEIL ROGERS
Chairman

DRAFT