

**AUDIT COMMITTEE QUARTERLY MEETING MINUTES
LAFAYETTE CONFERENCE ROOM, 1st FLOOR
CITY HALL, 433 HAY STREET, FAYETTEVILLE
THURSDAY, OCTOBER 24th, 2019
3:00 P.M.**

Committee Members Present: Council Member Johnny Dawkins (Acting Chairman)
Council Member Larry Wright
Ms. Evelyn Shaw, PWC Commissioner
Ms. Amy Samperton, FTCC Director of Procurement & Equipment

Committee Members Absent: Council Member Bill Crisp
Dr. Pamela Jackson, FSU Provost

Others Present:

Staff Present: Mr. Kristoff Bauer, Deputy City Manager
Ms. Angel Wright-Lanier, Assistant City Manager
Ms. Elizabeth Somerindyke, Internal Audit Director
Ms. Rose Rasmussen, Senior Internal Audit
Ms. Amanda Rich, Internal Auditor
Mr. Jay Toland, Chief Financial Officer
Mr. Gerald Newton, Development Services Director
Mr. Michael Gibson, Parks, Recreation, and Maintenance Director
Chief Gina Hawkins, Chief of Police
Ms. Sheila Thomas-Ambat, Director of Public Services
Ms. Kristin Roberts, Senior Administrative Assistant

1.0 Call to Order

Council Member Dawkins called the meeting to order at 2:57 p.m.

2.0 Welcome Evelyn Shaw, PWC Chairperson

The group welcomed Ms. Evelyn Shaw back onto the committee and thanked her for her service.

3.0 Introduction of New Internal Audit Team Member, Amanda Rich

The committee welcomed new Internal Auditor Amanda Rich to the committee and to the City of Fayetteville staff.

4.0 Approval of the Agenda

A change was requested to the agenda to move item 9.0, Quarterly Management Implementation Status Report, to item 1.0, as Chief Gina Hawkins needed to leave the meeting early.

MOTION: Council Member Wright moved to approve the agenda, with the requested change.

SECOND: Ms. Evelyn Shaw

VOTE: UNANIMOUS (4-0)

**5.0 Approval of the Minutes
August 8th, 2019**

MOTION: Ms. Samperton moved to approve the minutes from the August 8th, 2019 meeting.

SECOND: Council Member Wright

VOTE: UNANIMOUS (4-0)

6.0 Quarterly Management Implementation Status Report

Ms. Elizabeth Somerindyke directed the committee to review the report provided and welcomed any questions. Discussion ensued surrounding the timeframe of accomplishments for Evidence and Property Management, as well as the management of WEX Cards.

7.0 Request Special Meeting for the purpose of RSM presenting the FY2018-2019 Financial Audit (Requested by Jay Toland, Chief Financial Officer)

Chief Financial Officer Mr. Jay Toland offered prospective dates to the committee members for the proposed special meeting. All agreed on November 19th, 2019 at 1:00 PM for the date and time. Ms. Elizabeth Somerindyke will schedule the meeting as requested.

8.0 Internal Audit Activities (Presented by Elizabeth Somerindyke, Internal Audit Director)

8.01 Residential Solid Waste Fees Audit (A2019-04)

Ms. Elizabeth Somerindyke, Internal Audit Director, stated a performance audit was completed for the City of Fayetteville's Public Services, residential solid waste fee. Ms. Somerindyke explained that residents of the City of Fayetteville who pay the \$190 per year residential solid waste fee are provided residential solid waste collection, either directly or through a vendor contract, to include recycling, bulky items, residential and yard waste. The objectives of the audit were to evaluate whether residential solid waste fees were being assessed in accordance with established laws, regulations, guidelines, policies, and procedures; and the internal control environment related to assessing residential solid waste fees were sufficient. The scope of the audit covered tax billings levied as of July 1, 2019.

Finding 1: Completeness of revenue relating to the residential solid waste fees could not be measured.

Ms. Somerindyke stated that the City Code of Ordinances Chapter 22, Solid Waste was not clear and left up to interpretation, allowing for solid waste services to be provided inconsistently. Ms. Somerindyke noted that without clear guidance within the City's Code of Ordinances, solid waste services were provided without assessing the residential solid waste fee, residential solid waste fees were assessed when services were not provided, and the City was not providing solid waste services as defined in the City Code of Ordinances. The Internal Audit Department recommended the following: 1) Solicit City Council's support on updates necessary to the City Code of Ordinances Chapter 22, Solid Waste as it will be essential to ensure adherence to the City Code of Ordinances; 2) Coordinate with the City Attorney's office to update the City Code of Ordinances to allow solid waste services to be provided consistently and ensure the residential solid waste fees are being assessed appropriately. Any updates to the City Code of Ordinances should ensure compliance with North Carolina General Statutes. Management concurred with the recommendations, noting that there are circumstances that could affect its implementation that have to be resolved.

Discussion ensued regarding property classifications. Ms. Sheila Thomas-Ambat stated that Public Services will work to bring options before the City Council at their work session in April 2020.

Finding 2: Solid waste collections process using Fleetmind data could not be relied upon.

Ms. Somerindyke explained that when Fleetmind was introduced in 2014, addresses were uploaded into Fleetmind from a spreadsheet maintained by another department, and an address audit was not conducted to ensure the validity of those addresses. The Internal Audit department compared 61,597 active customer addresses in Fleetmind with a Cumberland County Tax Office listing of 61,501 parcels that had been assessed a City residential solid waste fee to determine if all households receiving City solid waste services were assessed the residential solid waste fee. It was found through this comparison that all active customer addresses in Fleetmind were not assessed a residential solid waste fee, and all addresses assessed a residential solid waste fee were not in Fleetmind as solid waste customers. The Internal Audit Department recommended the following: 1) Update the customer addresses in Fleetmind consistent with current routes; 2) Develop a process to add, activate, and inactivate addresses in Fleetmind as needed to maintain current, accurate, valid data; 3) Develop comprehensive written policies and procedures to maintain Fleetmind data integrity, once processes are established. Management concurred with the recommendations. The Internal Audit Department requested of the Audit Committee the consideration and acceptance of the Residential Solid Waste Fees Audit.

MOTION: Council Member Wright moved to accept the Residential Solid Waste Fees Audit

SECOND: Ms. Samperton

VOTE: UNANIMOUS (4-0)

9.0 Other Business

9.01 Annual Audit Plan Proposed Engagements for FY2020

Ms. Somerindyke shared the Annual Audit Plan Proposed Engagements for FY2020. Ms. Somerindyke stated that eight total projects are listed, and some of these projects have been carried forward from FY2019. Projects carried from FY2019 include: Solid Waste to Multi-Family Residences, Code Enforcement Violation Collections, and Permitting and Inspections Follow-Up. New projects include: The Police Department Payroll Audit, Police Department Confidential Funds, Accounts Payable Timeliness, and Vector Fleet Contract. One follow-up project will be the WEX gas cards. The Internal Audit Department requested of the Audit Committee the consideration and acceptance of the Annual Audit Plan for FY2020.

MOTION: Ms. Evelyn Shaw moved to accept the Annual Audit Plan for FY2020

SECOND: Council Member Wright

VOTE: UNANIMOUS (4-0)

9.02 Internal Audit Annual Report FY2019

Ms. Somerindyke shared the Internal Audit Annual Report FY2019. Ms. Somerindyke explained that this is a required annual report, and that the Internal Audit Director will annually report to the Audit Committee and City Manager on the internal audit activity's purpose, authority, responsibility, and performance relative to its annual audit plan. Ms. Somerindyke stated that in FY2019, five engagements were completed, and 35 value-added recommendations were made. Ms. Somerindyke reviewed the past year's investigations into fraud, waste, and abuse which resulted in improved procedures, enhanced awareness, and in certain cases, personnel-related actions.

10. Adjournment

There being no further business, the meeting adjourned at 4:20 p.m.

Respectfully submitted,

KRISTIN ROBERTS
Sr. Administrative Assistant
10242019

COUNCIL MEMBER JOHNNY DAWKINS
Acting Chairman