

AUDIT COMMITTEE MEETING
April 22, 2021 @ 3:00 PM
St. Avold Conference Room and Via Zoom

Council Members Present: Council Member Dawkins, Chair
Council Member Kinston

Committee Members Present: Mr. Ron O'Brien
Ms. Amy Samperton, Vice-Chair

Staff Present: Ms. Elizabeth Somerindyke, Internal Audit Director
Ms. Rose Rasmussen, Internal Audit Staff
Ms. Amanda Rich, Internal Audit Staff
Mr. Jay Toland, Interim Assistant City Manager, Chief Financial Officer
Chief Gina Hawkins, Fayetteville Police Department
Assistant Chief James Nolette, Fayetteville Police Department
Mr. Dwayne Campbell, Chief Information Officer
Dr. Jerry Newton, Development Services Director
Ms. Jody Picarella, Accounting Manager
Ms. Andrea Tebbe, Executive Assistant to the City Council

Other Attendees: Ms. Rhonda Haskins, PWC

1. Call to Order

- CM Dawkins called meeting to order at 3:03 PM

2. Approval of Agenda

MOTION: Ms. Amy Samperton made motion to approve agenda with the addition of item 7.1

SECOND: CM Kinston

VOTE: Unanimous (3-0)

3. Approval of Minutes

MOTION: CM Kinston made motion to approve minutes

SECOND: Ms. Samperton

VOTE: UNANIMOUS (3-0)

4. Selection of Independent Auditor- presented by Mr. Jay Toland

- a. RFP sent 2/10/21
- b. Received 2 proposals March 2, 2021
 - i. Cherry Bekhart- scored 93.7% Cost \$398,500
 - ii. PM Mares- scored 94.36% Cost \$407,000
- c. Request committee recommendation of PB Mares to City Council
- d. Ms. Samperton asked who was part review and recommendation team? Ms. Haskins, from PWC answered 3 City staff and 2 PWC Staff

- e. Ms. Somerindyke stated both were great firms and she would defer to Ms. Haskins

Discussion ensued

MOTION: Ms. Amy Samperton made motion to recommend PB Mares as Independent Auditors for the City of Fayetteville to the City Council

SECOND: Mr. Ron O'Brien

VOTE: UNANIMOUS (4-0)

5. Internal Audit Activities

5a. Property and Evidence Follow-Up

Objective and Scope

- Original audit report issued June 2018 identified 12 findings and 32 recommendations;
- Department reported the agreed upon recommendations were fully implemented on January 23, 2020;
- Audit plan for FYE21 approved the Evidence and Property Management Follow-up audit; and
- Improvements to safeguarding, information systems, and compliance
- Determine if original audit recommendations had been implemented by management;
- Reviewed electronic files and documents; and
- Active and disposed evidence and property RMS reports from July 2020 through December 2020.
- COVID created scope limitation by not allowing for on-site fieldwork

Audit Results- Safeguarding

- 11 recommendations provided opportunities for improving security and control of property and evidence
- 5 were implemented by (1) expanding, reorganizing and streamlining disposal process to reduce inventory levels; (2) locating items; (3) management oversight of audit results; (4) considering quarterly audits; and (5) acquiring a fireproof safe for high risk items
- 2 were *partially implemented* by (1) drafting departmental procedures but had not finalized and performed the currency inventory; and (2) working cameras were observed but not used where high risk property and evidence were maintained
- 2 were *not implemented*. Audits did not consist of the required significant representative sampling
- 2 related to timely submission of items and quality reviews *could not be validated* by Internal Audit due to the COVID restrictions.

Audit Results- Information Systems

- 3 recommendations provided opportunities for improving data integrity and software capability
- 2 related to data integrity and software capability *could not be implemented*. Requirements to implement the recommendations were (1) costly and funding was not

available and (2) the software did not have the capability. Mitigating controls were considered due to lack of software functionality and will be implemented

- 1 related to updating converted data upon disposal *could not be determined* due to audit scope

Audit Results- Compliance

- 14 recommendations identified areas in which operating procedures were not followed or lacked clarity to ensure compliance, to include updated training
- 1 was implemented by establishing a process if property and evidence is designated as missing. Formalized procedures are still recommended
- 7 were partially implemented by drafting departmental procedures but had not finalized and released to personnel for implementation
- 4 were not implemented. Draft departmental procedures did not address the expectation when describing property and evidence, database fields and coding consistency, review of user access rights; and updating training requirements
- 2 related to registering and returning qualified weapons to rightful owners could not be validated by Internal Audit due to COVID restrictions

Conclusion

- Efforts to implement are in process;
 - Procedures finalized and released – 7
 - Currency procedures finalized and inventory – 1
 - Camera use in high risk areas – 1
 - Training created and implemented – 4
 - Audit significant sampling – 2
- Restrictions due to COVID follow-up; and
- Remain open and continue to monitor significant findings and recommendations

CM Kinston asked What is camera recoding life cycle? Assistant Chief Nolette responded – remote server through Holmes Security 30 days- 6months. Chief Hawkins will verify

Cm Kinston asked about disposal of evidence or property? Chief Hawkins responded; A court order is required

Ms. Samperton discussed the possibility of working with Gunsmith program at FTCC

Items/areas unable to be audited due to COVID will be reconsidered after the pandemic

Staff asks the Audit Committee to consider and accept the Evidence and Property Management Follow-up Audit

MOTION: Mr. Rob O'Brien moved to accept the Evidence and Property Management Follow-up Audit
SECOND: Ms. Amy Samperton
VOTE: UNANIMOUS (4-0)

5b. Permitting and Inspections Follow-Up Audit

Background

- Original audit report issued October 2016 identified 35 findings and 61 recommendations;
- Department reported fully implemented August 8, 2019;
- Audit plan for FYE19 approved the Permitting and Inspections Follow-up audit;
- Due to significant change in management since original audit new management reassessed implementation statuses; and
- Improvements to information systems, compliance, training and quality reviews and ongoing monitoring

Objective and Scope

- Determine if original audit recommendations had been implemented by management;
- Reviewed electronic files and documents; and
 - Permits issued from July 2019 through June 2020
- COVID Pandemic created scope limitation by not allowing for on-site fieldwork

Audit Results- Information Systems

- 13 recommendations provided opportunities for improving data integrity, software capability (Cityworks), oversight and access
- 8 were implemented by (1) considering a specialized software audit; (2) maximizing use of scheduler function; (3) addressing modified by and check marks; (4) creating standard reports; (5) configuring automatic permit status updates; (6) configuring notice to permit holder of permit expiration; (7) developing controls to verify address and PIN of location; and (8) updating workflows
- 1 related to restricting user access was partially implemented. Access had been restricted for inspections but not fees
- 4 unable to implement (1) determining data integrity issues from updates; (2) printing CO and CC prior to final inspection; (3) creating duplicate permits; and (4) backdating inspections

Audit Results-Compliance

- 29 recommendations identified areas in which formal written departmental policies and procedures did not exist and updates of City Code were needed to comply with NCGS and State Building Codes

- 27 were implemented by updating City Code and creating formal policies and procedures. Policy elements were not tested by Internal Audit
- 1 on formal processes to collect performance information was partially implemented due to unreliable reports
- 1 related to enhancements and consistency of fee schedule was partially implemented by making incremental changes and updating permit applications. However, fees errors were still identified, and a follow-up audit on this finding will be included on the FY 2021-2022 Audit Plan

Audit Results- Training

- 8 recommendations identified areas in which training would further support the accomplishment of duties and responsibilities. Internal Audit did not test if personnel training needs were met
- 8 were implemented which included distributing guidelines and training through PowerDMS on (1) Cityworks; (2) cash receipting; (3) issuing refunds; (4) processing fees; (5) documenting inspections; (6) calculating and validating square footage; and (7) call back fees. In addition, (8) routine customer training was addressed through training videos and informational emails automatically sent upon permit issuance.

Audit Results- Quality Reviews and Ongoing Monitoring

- 5 recommendations identified areas in which quality reviews and ongoing monitoring would assist in achieving departmental objectives
- 1 related to a review process for daily cash receipting was implemented
- 2 had a status of not implemented due to the need to (1) create quality review documentation and (2) conduct quality reviews on workflows to include inspections documented as 'NA'
- 2 had a status of unable to determine due to COVID Pandemic restrictions on-site fieldwork was not conducted for a (1) self-assessment and (2) quality reviews on fees

Conclusion

- Efforts to implement are in process,
 - Updating user access relating to fees,
 - Documenting of quality reviews,
 - Self-assessment;
- Restrictions due to COVID-19; and
- Remain open and continue to monitor significant findings and recommendations

Mr. O'Brien expressed concerns with CityWorks upgrade and converting to new system

Dr. Newton stated a thank you to Internal Audit staff and stated the Public Services Department is continually improving

Staff asked the Audit Committee to consider and accept the Permitting and Inspections Follow Up Audit

MOTION: Mr. Ron O'Brien made motion to accept the Permitting and Inspections Follow-Up Audit

SECOND: Ms. Amy Samperton

VOTE: UNANIMOUS (4-0)

6. Internal Audit Status update- Presented by Elizabeth Somerindyke

- Discuss projects and other Internal Audit activities
 - Wireless Communication Usage
 - Police Department Confidential Funds
 - WEX Fuel Cards Follow-Up (Police)
 - Annual Proxy Cards Review

7. Management Reports- Informational purposes only

- a. Change July meeting to August 5, 2021

8. Adjournment

- CM Kinston made a motion to adjourn meeting at 4:30 PM

Council Member Johnny Dawkins, Chair

ATTEST:

Andrea Tebbe, Executive Assistant to the City Council