

AUDIT COMMITTEE MEETING
August 5, 2021 @ 3:00 PM
Virtual Meeting

Council Members Present: CM Johnny Dawkins, Chair
CM Yvonne Kinston
CM Larry Wright

Staff Present: Doug Hewett, City Manager
Jay Toland, Assistant City Manager
Telly Whitfield, Assistant City Manager
Rebecca Jackson, Chief of Staff
Elizabeth Somerindyke, Internal Audit Director
Ms. Rose Rasmussen, Internal Audit Staff
Ms. Amanda Rich, Internal Audit Staff
Dwayne Campbell, Chief Information Officer
Willie Johnson, Assistant Chief Information Officer
Assistant Chief Anthony Kelly, Fayetteville Police Department
Paul Allen, Assistant City Attorney
Daniel Edwards, Assistant Public Services Director
Jody Picarella, Accounting Manager
Kim Toon, Purchasing Manager
Andrea Tebbe, Executive Assistant to the City Council

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

Others Present: Wanda Johnson

1. Call to Order

- CM Dawkins called meeting to order at 3:00 PM

2. Approval of Agenda

MOTION: Mr. Ron O'Brien moved to approve agenda

SECOND: Ms. Amy Samperton

VOTE: Unanimous (3-0)

3. Approval of Minutes

MOTION: Ms. Amy Samperton moved to approve minutes

SECOND: Mr. Ron O'Brien

VOTE: UNANIMOUS (3-0)

4. Accounts Payable Timeliness Audit Update- presented by Jay Toland

- Copy of the Draft Policy provided

- Change in policy, Section 8, from 75 days to 60 days
- Will be circulated in CMO for 2 weeks for review per standard policy

5. **Internal Audit Activities- Presented by Internal Audit Staff**

- a. WEX Fuel Card Follow-Up – Police A2019-05F2
- b. Wireless Communication Usage- A2021-02

5A. WEX Fuel Card Follow Up

- Background
 - Original Audit May 2019 with 17 recommendations
 - Follow Up 1 – November 2020 with 24% implemented recommendations
 - Follow up 2 – Completed based in the direction from the direction of the Audit Committee at the January 28, 2021 meeting
- Scope
 - Reviewed 12 of 13 recommendations still in progress
 - Used fuel card reporting from January 1, 2021 – May 21, 2021
- November 2020 Results
 - Implemented 4
 - Partially Implemented 4
 - Not Implemented 8
 - Unable to determine 1
- August 2021 Results
- Implemented- Substantial progress made through implementation of
 - Departmental WEX SOP, including procedures to safeguard fuel cards
 - Departmental monthly reviews of 8 WEX reports
 - Additional reviews for fuel card existence
- In Progress- recommendations to strengthen controls:
 - Consistency with monthly reviews/use reports to
 - Track fuel cards for deactivation
 - Adequately address fuel purchase exceptions
 - Improve communications with the Finance Department for the deactivation of PINs
 - Ensure training is sent to all departmental employees
 - Strengthen controls to timely deactivate fuel cards for surplus vehicles
- **MOTION: Mr. Ron O’Brien moved to accept the report**
- **SECOND: Ms. Amy Samperton**
- **VOTE: Unanimous (5-0)**

5b. Wireless Communication Use Audit

- Background
 - City’s primary vendor was Verizon wireless
 - Established service using a convenience contract
 - City was offered a variety of equipment & service plans at a discounted rate
 - Eligible employees can choose a City-owned cell phone or a monthly stipend

- Verizon Wireless account incorporated expenditures for 15 departments City paid a total of \$878, 217 during the audit scope
 - Objective
 - Assess the City’s wireless communication usage to identify areas of risk and opportunities for potential savings
 - Scope
 - Reviewed device usage from February 11, 2020 through March 10, 2021; including 1,590 active device lines and 344 disconnected device lines
 - Selected a 10% sample of 190 device lines, both active and disconnected
 - **Finding #1: Improving management oversight related to cellular service plans could result in cost savings**
 - Criteria
 - Responsible stewards of taxpayers’ money:
 1. Assign devices services based on usage;
 2. Oversight of monthly bills; and
 3. Evaluate business need for underutilized devices.
 - **Condition and Cause**
 - 621 out of 1,590 active devices had low or zero usage (39%)
 - Total City cost for the 621 devices = \$169,141
 - Devices with little or no use were not suspended or deactivated;
 - Employees had multiple devices assigned;
 - Hotspots on smart phones not utilized;
 - Unclear business need for device assignments; and
 - Service plans were not reviewed
 - **Impact**
 - Expending resources on underutilized devices and non-contracted cellular service plans
 - **Recommendations**
 - Establish guidelines that outline user department requirements for oversight and accountability
 - Assign devices to the appropriate contract service plan prior to deploying the device
 - **Management Response:**
 - Concur with Reservations
- **Finding #2 Inventory management controls over devices associated with cellular services were not established**
- **Criteria:**
 - A complete and reliable inventory allows decision makers to make effective decisions; and
 - City’s IT Acceptable Use Policy # 603 explains an inventory of all devices is maintained
- **Condition & Cause:**
 - The City did not maintain a current and complete inventory resulting in devices that could not be located;
 - 75 out of 190 devices sampled (39%)
 - Departments relied upon the vendor’s system which was not maintained and only tracked current active devices; and
 - Devices returned were reset to factory settings, dismantled or destroyed without documentation
- **Impact:**
 - Inability to efficiently and effectively manage devices.

- **Recommendations:**
 1. Complete and document a full inventory of all active devices to ensure existence;
 2. Establish a centralized inventory;
 3. Implement and use the Oracle ERP system to track devices;
 4. Follow City standards for documenting device surplus; and
 5. Establish written guidelines requiring periodic inventory
- **Management Response:**
 - Concur with Reservations
- **Internal Audit concludes:**
 - Opportunity for cost savings through oversight & accountability of cellular service plans
 - System of inventory management is needed
- **Additional area of risk identified**
 - Mobile device security protocols, to include the use of two-factor authentication, should be reviewed, strengthened and monitored due to the continued advancements in cellular technology and the importance of safeguarding the City's network

Questions

CM Kinston- Did team look at damaged equipment or replacements? If so, how much money was spent on this?

- Rich- Yes, replacement with no cost. Purchase was minimal

A. Samperton- How long has Verizon been used?

D. Campbell- At least 9 years with Verizon- We utilize convenience contract to the City advantage

A. Samperton- is coverage sufficient with Verizon?

D. Campbell- 97.6% saturation rate

Recommendations:

IT will implement written guidelines

Questions for finding #2

CM Dawkins- Can people upgrade at no cost?

D. Campbell- Verizon provides monthly updates and IT shares with Admin of said department. IT then works with Verizon and designated employee

CM Wright- Has the City been hacked/any leaks? Is there a protocol in place to feel secure and prevent hacking?

D. Campbell Voluntary system in place. System cannot be made mandatory

CM Dawkins- What is timeline for creating a centralized management system?

D. Campbell – There are personnel constraints

CM Dawkins- Has this been communicated to CMO?

It will go through ACM and then to CM

E Somerindyke- What is needed to accomplish created a centralized management system?

D. Campbell- More personnel

A. Samperton- Is this short term staff. Can CARES Act funds be used?

CM Wright- What is amount of funds received?

Discussion ensued about CARES Act and ARPA funds

D. Hewett- ARPA fund usage will be brought before Council

D. Hewett- City has been approached by different companies and staff is looking at

companies for cellular plans
CM Kinston- How many personnel is needed by IT?
D. Campbell- 1 FTE to manage wireless

Motion: CM Wright moved to accept wireless audit report

SECOND: CM Kinston

VOTE: UNANIMOUS (5-0)

6. Management report presented- Informational Purposes only

- No action required
- Annual report to Council- working through confidential funds audit

7. Adjournment

- CM Wright made a motion to adjourn meeting at 4:06 PM

Council Member Johnny Dawkins, Chair

ATTEST:

Andrea Tebbe, Executive Assistant to the City Council