



**City of Fayetteville, NC  
Audit Committee Meeting**

**October 27, 2022 @3:00 pm**

**3<sup>rd</sup> Floor – Winslow Room**

**433 Hay Street, Fayetteville, NC 28301**



**Audit Committee Meeting**  
**October 27, 2022 @ 3:00pm**

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**AGENDA**

1. Call to Order
2. Approval of Agenda
3. Approval of Meeting Minutes
4. Discussion of Committee Officer Appointments
5. Management Reports (*Summary presented by Internal Audit staff*)
  - a. Quarterly Management Implementation Status Report
6. Internal Audit Activities (*Presented by Internal Audit staff*):
  - a. Police Department Confidential Funds Audit
  - b. Subrecipient Grant Monitoring Audit
  - c. Current Projects
7. Adjournment

Attachments:

- a) Draft Meeting Minutes – April 28, 2022
- b) Quarterly Management Implementation Status Report 1<sup>st</sup> Quarter FYE23
- c) Police Department Confidential Funds Audit Report (A2022-05)
- d) Subrecipient Grant Monitoring Audit Report (A2022-04)
- e) Internal Audit Annual Report FY22 (Informational Purposes Only)

**AUDIT COMMITTEE MEETING**  
**April 28, 2022 @ 3:00 PM**  
**Virtual Meeting**

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

Committee Members Present: Warren (Ron) O'Brien  
 Mfon Akpan

Staff Present: Doug Hewett, City Manager  
 Jay Toland, Assistant City Manager  
 Telly Whitfield, Assistant City Manager  
 Rose Rasmussen, Interim Internal Audit Director  
 Amanda Mott, Internal Audit Staff  
 Karen McDonald, City Attorney  
 Sherman (Jerry) Clipp, Human Resources Development Director  
 Erica Hoggard, Deputy Human Resources Director  
 Dwayne Campbell, Chief Information Officer  
 Willie Johnson, Assistant Chief Information Officer  
 Chief Gina Hawkins, Fayetteville Police Department  
 Assistant Chief James Nolette, Fayetteville Police Department  
 Chief Michael Hill, Fayetteville Fire Department  
 Ronnie E. Willet Jr, Deputy Fire Chief  
 Daniel Edwards, Assistant Public Services Director  
 Christopher Cauley, Economic & Community Dev. Director

**1. Call to Order** – CM Dawkins called meeting to order at 3:01 PM

**2. Approval of Agenda**

**MOTION:** CM Yvonne Kinston moved to approve agenda  
**SECOND:** CM Larry Wright  
**VOTE:** Unanimous (5-0)

**3. Approval of Minutes**

**MOTION:** CM Larry Wright moved to approve minutes from the January 27, 2022 meeting  
**SECOND:** Mr. Ron O'Brien  
**VOTE:** UNANIMOUS (5-0)

**4. Introduction of New Audit Committee Member** – Methodist University Professor, Mfon Akpan

CM Dawkins let Mr. Mfon Akpan know that we were happy to have him on the committee

**5. Discussion of Committee Officers Appointment**

**1. Chair:**

CM Johnny Dawkins asked for suggestions for the Audit Committee Chair,

**MOTION:** Mr. Ron O'Brien nominated CM Johnny Dawkins  
**SECOND:** CM Yvonne Kinston  
**THIRD:** CM Larry Wright  
**VOTE:** UNANIMOUS (5-0)

**2. Vice-Chair:**

**MOTION:** Mr. Ron O'Brien nominated CM Larry Wright  
**SECOND:** CM Yvonne Kinston  
**THIRD:** CM Larry Wright  
**VOTE:** UNANIMOUS (5-0)

**6. Management Report – Presented by Internal Audit Staff**

**1. Quarterly Management Implementation Status Report**

- Of the 12 completed audits, 8 are ready for a follow-up from Internal Audit. Management has expressed that all recommendations have been fully implemented.
- 4 of the completed audits have recommendations that are not fully implemented:
  - Solid Waste Fees: The recommendations are pending an update to the City ordinance.
  - Police Department Payroll: The department has recently implemented Kronos and are updating their policies and procedures based on that implementation.
  - Wireless: The department is requesting FTE. They will need an additional person to implement any of the recommendations.
  - Vector Fleet: They are working through hiring a fleet manager and will implement the recommendations after that position is filled.

No Questions

This report is for informational purposes and no action needed.

**7. Internal Audit Activities- presented by Internal Audit Staff**

**1. Changes to Employee Pay Audit**

- **Scope:**
  - Selected due to an increase in the number of pay adjustments;
  - Included 636 base pay adjustments that occurred from July 1, 2018 to December 31, 2021;
  - Not associated with performance increases or updates to the City's pay plan that were approved in the annual budget;
  - Requests were initiated by department management;
  - Sample of 56 pay adjustments; and
  - Total initial adjustment cost for the 636 adjustments was of \$1.36 million
  - Adjustments fell into 6 categories
- **Background:**
  - Total cost of pay adjustments has significantly increased each fiscal year. Over 43% of the \$1.36 million occurred in the first 6 months of this current fiscal year;

- \$868 thousand of the \$1.36 million were coded as a special pay adjustments. The audit found that 50% of the special pay adjustments sampled were requested to address market and internal equity
- Market and internal equity can occur due to pay compression; and
- Pay study was in progress
- **Results:**
  - Internal Audit Concluded: Controls within the Human Resources Development Department were sufficient
  - Improvement Opportunities: Clarify guidelines; and review pay adjustment coding when moving to the HUB
- **Questions:**
  - **CM Kinston:** How often is this audit completed? Rose Rasmussen responded this was the first time this audit was conducted. CM Kinston said that there was nothing previous to compare it to
  - **Mr. Ron O'Brien:** Asked about where the money comes from to cover the salaries? Conversation ensued with CM Dawkins and ACM Toland to explain the budget process
    - Conversation continued to discuss the vacancies and salaries within the Police Department. City Manager Hewett gave an update about the vacancy rate going down below 10% and we are moving in the right direction.
    - Mr. Ron O'Brien asked how the Police salaries compare to the State salaries for cities of our size. City Manager Hewett gave an update with a recommendation that will be presented to council moving starting salaries for sworn officers to \$45,000 and discussed the sign on / retention bonuses.

**MOTION: Mr. Ron O'Brien moved to accept the Changes to Employee Pay Audit**

**SECOND: CM Larry Wright**

**VOTE: UNANIMOUS (5-0)**

## 2. Request to Change Audit Plan

- Request:
  - Audit Committee Charter requires the Audit Committee to approve all major changes to the audit plan.
  - Requesting to remove the Community Development Housing Rehabilitation Program Audit from the Audit Plan
  - Objective was to ensure compliance with the AmeriNat, less than 10% loan portfolio. Department implementing Neighborly Software. Expected implementation date July 1, 2022.
- Questions:
  - **Mr. Ron O'Brien** asked about the anticipated costs. Christopher Cauley, Economic & Community Dev. Director explained that is will be a cost savings of around \$17,000 over the next year to the General Fund.
  - Mr. Mfon Akpan asked to clarify that everything will be moved into Neighborly and Christopher Cauley confirmed

**MOTION: Mr. Ron O'Brien moved to accept the Changes to the Audit Plan**

**SECOND: CM Yvonne Kinston**  
**VOTE: UNANIMOUS (5-0)**

**8. Adjournment**

Mr. Ron O'Brien moved to adjourn meeting at 3:27 PM.

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Council Member Johnny Dawkins, Chair

ATTEST:

\_\_\_\_\_  
Jennifer Ayre, Deputy City Clerk

DRAFT



October 27, 2022

Members of the Audit Committee,

Enclosed is the updated Quarterly Management Implementation Status Report.

The attached report provides members of the Audit Committee with an update on the progress of management's implementation of recommendations made by the Office of Internal Audit. Departmental management updates will be provided quarterly at each regularly scheduled Audit Committee Meeting.

A short summary of the progress updates are provided to allow a quick assessment of the audit report recommendations NOT fully implemented. The attached report represents updates given by management on the progress made to implement Internal Audit's recommendations. Except as otherwise noted, no assessment on the progress of the recommendations has been performed by the Office of Internal Audit.

Please provide us with any questions or ideas for improving this report to enhance your ability to monitor the effective implementation of recommendations.

A summary of the report will be presented. We welcome discussion on the management updates.

Respectfully,  
Rose Rasmussen  
Internal Audit Director

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

	<u>Date Released</u>	Issued	Accepted	Implemented	<u>Recommendations</u>	
					Partially Implemented	Not Implemented
Contract Practices and Procedures A2016-06	October 2017	3	3	3	0	0
Performances Measures A2018-04	January 2019	4	4	4	0	0
PRM Nonresident Fees A2016-05	January 2019	7	7	7	0	0
Code Violation Enforcement and Collections A2019-06	August 2019	7	7	7	0	0
Residential Solid Waste Fees A2019-04	October 2019	5	5	1	3	1
Police Payroll A2020-01	August 2020					
Police Department		14	14	14	0	0
Finance Department		4	4	4	0	0
Accounts Payable Timeliness A2020-02	January 2021	5	5	5	0	0
Wireless Communication Usage A2021-02	August 2021	7	6	2	0	4
Vector Fleet Contract A2020-04	November 2021	3	3	0	1	2
Fire Kronos Implementation A2022-01	January 2022	4	4	2	2	0

\*This Report does not include the Permitting and Inspections Follow-up Audit or the Evidence and Property Management Follow-up Audit.



**Office of Internal Audit  
Quarterly Management Implementation Status Report  
Fiscal Year 2022-2023 (1st Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response – October 27, 2022</b>	<b>Management Follow-up Response – April 28, 2022</b>
<b>A2019-04 Residential Solid Waste Fees</b>				

<b>Status of Recommendations on April 28, 2022:</b>			
Implemented	Partially Implemented	Not Implemented	Total
1	3	1	5

\*This report reflects responses for the 4 outstanding recommendations.

1.1	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;	<p>Management will seek council direction regarding level/scope of solid waste services. Full implementation of ‘Recommendation #1’ is contingent upon continuation of the ‘existing’ level/scope of services within solid waste division with no significant additions such as service to multi-family units or commercial facilities.</p> <p><b>Responsible Party:</b> Public Services Director</p> <p><b>Implementation Date:</b> Management will seek Council support in the format of a preliminary work session presentation by April 30, 2020 and follow up ordinance updates by September 30, 2020 contingent upon continuation of the ‘existing’ level/scope of services within the solid waste division.</p>	<p style="color: red;"><b>Partially Implemented</b></p> <p style="color: red;">The Solid Waste ordinance is 90% completed. Public Services, Solid Waste Division, CMO are working to complete the SW ordinance's enforcement sections of the ordinance. Once the enforcement process is completed, SW will present the finished ordinance to Council for their approval.</p> <p style="color: red;"><b>Additional Next Steps:</b></p> <ul style="list-style-type: none"> <li>• Review ordinance recommendations with CAO Office, CMO office and adjust as needed to align with CoF needs and strategic goals and objectives.</li> <li>• Implement areas of the ordinance that are currently</li> </ul>	<p style="color: red;"><b>Partially Implemented</b></p> <p style="color: red;">The Solid Waste ordinance is 90% completed. Public Services, Solid Waste Division, and Developmental Services, Code Enforcement are working through QuEST with SPA to complete the SW ordinance's enforcement sections of the ordinance. Once the enforcement process is completed, SW will present the finished ordinance to Council for their approval.</p> <p style="color: red;"><b>Additional Next Steps:</b></p> <ul style="list-style-type: none"> <li>• Review ordinance recommendations with CAO Office, CMO office and adjust as needed to</li> </ul>
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**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – October 27, 2022	Management Follow-up Response – April 28, 2022

**A2019-04 Residential Solid Waste Fees**

			<p>in the ordinance but not being implemented.</p> <ul style="list-style-type: none"> <li>• Adjust timeline to fit the goal of implementation of new ordinance for July 1, 2023</li> <li>• PIS to create a plan for educating residents <ul style="list-style-type: none"> <li>· Meet with all the neighborhood watch groups</li> <li>· Reach out to churches and assemblies</li> </ul> </li> <li>• Use SW PIS and Corporate Communications for <ul style="list-style-type: none"> <li>· Social media,</li> <li>· Flyers/Mailers, and other forms of educations etc.</li> </ul> </li> <li>• Create processes/tools for RAPID SWCE to educate and enforce the new limits in the ordinance.</li> </ul>	<p>align with CoF needs and strategic goals and objectives.</p> <ul style="list-style-type: none"> <li>• Implement areas of the ordinance that are currently in the ordinance but not being implemented.</li> <li>• Adjust timeline to fit the goal of implementation of new ordinance for July 1, 2023</li> <li>• PIS to create a plan for educating residents <ul style="list-style-type: none"> <li>· Meet with all the neighborhood watch groups</li> <li>· Reach out to churches and assemblies</li> </ul> </li> <li>• Use SW PIS and Corporate Communications for <ul style="list-style-type: none"> <li>· Social media,</li> </ul> </li> </ul>
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**Office of Internal Audit  
Quarterly Management Implementation Status Report  
Fiscal Year 2022-2023 (1st Quarter)**

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**A2019-04 Residential Solid Waste Fees**

				<ul style="list-style-type: none"> <li>• Flyers/Mailers, and other forms of educations etc.</li> <li>• Create processes/tools for scheduling and implementing notices, fines, and assessments. Part of QuEST project.</li> </ul>
1.2	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.	<p>Management will seek council direction regarding level/scope of solid waste services. Full implementation of ‘Recommendation #1’ is contingent upon continuation of the ‘existing’ level/scope of services within solid waste division with no significant additions such as service to multi-family units or commercial facilities.</p> <p><b>Responsible Party:</b> Public Services Director</p> <p><b>Implementation Date:</b> Management will seek Council support in the format of a preliminary work session</p>	<p><b>Partially Implemented</b></p> <p>See response for 1.1</p>	<p><b>Partially Implemented</b></p> <p>See response for 1.1</p>

**Office of Internal Audit**  
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**Fiscal Year 2022-2023 (1st Quarter)**

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**A2019-04 Residential Solid Waste Fees**

		presentation by April 30, 2020 and follow up ordinance updates by September 30, 2020 contingent upon continuation of the ‘existing’ level/scope of services within the solid waste division.		
2.2	Develop a process to add, activate and inactivate addresses in Fleetmind as needed to maintain current, accurate, valid data.	Management concurs with the need to develop a process to add, activate and inactivate addresses in Fleetmind to maintain a current, accurate, and valid data base. However this process is contingent upon the outcomes of ‘Recommendation #1’. Further, full implementation of these processes involves compliance and cooperation from entities outside the direct control and influence of the Solid Waste Division such as CoF’s Planning Division, Cumberland County and FleetMind Vendor. Implementation dates provided below are for those activities that are within the direct control and influence of the Solid Waste Division as well as what can be accomplished within Council appropriated budgetary limits.	<p><b>Partially Implemented</b></p> <p>Although some Fleetmind upgrades are complete, the Fleetmind system is not consistent. SW will complete an RFP for the Fleet-onboarding system before the end of FY23.</p> <p><b>Partially Implemented</b></p> <p>Upon completing "Recommendation 1," SW will vet the onboarding data to align with any necessary ordinance revisions.</p>	<p><b>Partially Implemented</b></p> <p>Fleetmind upgrades are still not completed. The Fleetmind server upgrades are still not completed. SW meet has a scheduled weekly meeting with Fleetmind to discuss issues and give updates on the server issue. FM Support verified that the E drive was full due to an error in VDI. The error was fixed, and the service is back to normal. IT is a part of these discussions with Fleetmind. An RFP for a Fleet-onboarding-system will be complete before April 29, 2022.</p> <p><b>Partially Implemented</b></p> <p>Upon completing</p>

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

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	Recommendation	Management Response	Management Follow-up Response – October 27, 2022	Management Follow-up Response – April 28, 2022

**A2019-04 Residential Solid Waste Fees**

		<p><b>Responsible Party:</b> Public Services Director</p> <p><b>Implementation Date:</b> Public Services Solid Waste Division will develop a process to add, activate and inactivate addresses in Fleetmind to maintain a current, accurate, and valid data base by June 30, 2022 contingent upon management responses.</p>		"Recommendation 1," SW will vet the Fleetmind data to align with any ordinance revisions if needed.
2.3	Develop comprehensive written policies and procedures to maintain Fleetmind data integrity, once the processes are established.	Management concurs with the need to develop comprehensive written policies and procedures to maintain Fleetmind data integrity. However this process is contingent upon the outcomes of ‘Recommendation #1’. Further, full implementation of these processes involves compliance and cooperation from entities outside the direct control and influence of the Solid Waste Division such as CoF’s Planning Division, Cumberland County and FleetMind Vendor. Implementation dates provided below are for those activities that are within the direct control and	<p style="color: red;"><b>Not Implemented</b></p> <p style="color: red;">Solid Waste Management will begin writing policies and procedures to maintain data integrity for Fleetmind once the Solid Waste Ordinance is updated.</p>	<p style="color: red;"><b>Not Implemented</b></p> <p>Solid Waste Management will begin writing policies and procedures to maintain data integrity for Fleetmind once the Solid Waste Ordinance is updated.</p>

**Office of Internal Audit  
Quarterly Management Implementation Status Report  
Fiscal Year 2022-2023 (1st Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
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**A2019-04 Residential Solid Waste Fees**

		<p>influence of the Solid Waste Division as well as what can be accomplished within Council appropriated budgetary limits.</p> <p><b>Responsible Party:</b> Public Services Director</p> <p><b>Implementation Date:</b> Public Services Solid Waste Division will develop comprehensive written policies and procedures to maintain Fleetmind data integrity by June 30, 2022 contingent upon management responses.</p>		
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**Office of Internal Audit  
Quarterly Management Implementation Status Report  
Fiscal Year 2022-2023 (1st Quarter)**

<b>KEY</b>	<b>Not Implemented</b>	<b>Partially Implemented</b>	<b>Implemented</b>	<b>Past Implementation Date</b>
	<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response – October 27, 2022</b>	<b>Management Follow-up Response – April 28, 2022</b>

**A2020-01 Police Department Payroll Audit: Police Department**

<b>Status of Recommendations on April 28, 2022:</b>			
Implemented	Partially Implemented	Not Implemented	Total
12	0	2	14

\*This report reflects responses for the 2 outstanding recommendations.

5.2	Review all current written departmental operating procedures related to Personnel and Payroll with the Human Resource Development Department and the City Attorney’s Office to ensure compliance with the FLSA.	For Item #2, Management will have the Police Attorney review all operating procedures related to payroll once the Finance Department has completed the updated timecards and their procedures and documented processes and ensure they align with the City of Fayetteville Policies. We will then provide the information for Human Resource Development Department for review.  <b>Responsible Party:</b> Chief Gina V. Hawkins  <b>Implementation Date:</b> 10/1/2020	<b>Implemented</b>  Operating Procedure 10.2 has been reviewed and recommendations are being implemented to the policy. The policy will be staffed within 30 days.	<b>Not Implemented</b>  We are live in the system but still working out access issues and approval processes. Policy and procedures will be updated when final changes are completed.
5.3	Document an approval process for overtime within the departmental operating procedures, to include a consideration for equitable treatment of overtime.	Management will consult with the City Manager and Human Resources regarding items #3 and #4 in order to determine if this recommendation should be a part of the City Policy in order to ensure equitable treatment of overtime, even though the sworn	<b>Implemented:</b>  Operating Procedure 10.2 has been reviewed and recommendations are being implemented to the policy. The policy will be staffed within 30	<b>Not Implemented</b>  We are live in the system but still working out access issues and approval processes. Policy and procedures will be updated

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response – October 27, 2022</b>	<b>Management Follow-up Response – April 28, 2022</b>

**A2020-01 Police Department Payroll Audit: Police Department**

		<p>personnel is on the 7(k) Rule. There may be an infinite number of scenarios in which working over a prescheduled day could apply and not be considered overtime. Based on the previous response with training on FLSA 207 (k) and other FLSA to supervisory staff, the existing FLSA 207 (K) rule is clear and covers all situations when someone can be paid compensatory time versus overtime and does not need to be included in departmental operational procedures.</p> <p><b>Responsible Party:</b> Chief Gina V. Hawkins</p> <p><b>Implementation Date:</b> 10/1/2020</p>	<p>days.</p>	<p>when final changes are completed.</p>
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**Office of Internal Audit  
Quarterly Management Implementation Status Report  
Fiscal Year 2022-2023 (1st Quarter)**

<b>KEY</b>	<b>Not Implemented</b>	<b>Partially Implemented</b>	<b>Implemented</b>	<b>Past Implementation Date</b>
	<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response – October 27, 2022</b>	<b>Management Follow-up Response – April 28, 2022</b>

**A2020-04 Vector Fleet Contract Audit**

<b>Status of Recommendations on April 28, 2022:</b>			
Implemented	Partially Implemented	Not Implemented	Total
0	0	3	3

\*This report reflects responses for the 3 outstanding recommendations.

1.3	<p>Establish a Fleet Maintenance Committee comprised of representatives from various City departments that utilize fleet services. A Committee chair, preferably a manager from the City Manager’s Office, should lead the group. The Committee’s purpose should be to address fleet-related issues, such as developing fleet policies and procedures, and resolving fleet service-related issues. The Fleet Manager’s role should be to staff the Committee and bring topics and analysis to the Committee for discussion.</p>	<p>a. Management believes establishing a “Fleet Committee” could be valuable and provide some desired clarity in accountability, areas of responsibility, establishment of agreed Standard Operating Procedures (SOP’s) and process improvements. The resulting recommendations will be either implemented or submitted to the City Manager’s Office for consideration(s).</p> <p>b. Management will establish a weekly scheduled meeting with the Fleet Management and Maintenance Staff: Fleet Manager will facilitate this meeting. In addition management will schedule a monthly meeting with the full Fleet Committee, facilitated by a Staff member from the City Manager’s Office.</p>	<p><b>Not Implemented</b></p> <p>Currently there are meetings with Fleet and the individual departments on a bi-weekly basis. The City hired a permanent Fleet Manager 7/25/2022.</p> <p>Work on establishing the Fleet Maintenance Committee will begin after baseline policies and procedures and data analysis sets are identified.</p>	<p><b>Not Implemented</b></p> <p>Currently there are meetings with Fleet and the individual departments on a bi-weekly basis. The City has been unsuccessful in hiring a permanent Fleet Manager and has hired a recruiter to assist.</p> <p>Once the Fleet Manager is hired then the fleet committee will take shape.</p> <p>The expected recruitment time period is 30-60 days.</p>
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**Office of Internal Audit  
Quarterly Management Implementation Status Report  
Fiscal Year 2022-2023 (1st Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – October 27, 2022	Management Follow-up Response – April 28, 2022

**A2020-04 Vector Fleet Contract Audit**

		<p><b>Responsible Party:</b> Chief Financial Officer or his/her Designee</p> <p><b>Implementation Date:</b>            a. January 31, 2022 – Seek City Manager’s Office approval to establish committee and select facilitator and members.            b. February 28, 2022 – Conduct kick-off meeting</p>		
3.2	Publish, communicate and implement written policies and procedures City-wide, to include but not limited to personnel who utilize fleet services.	<p>a. Management will author and/or update the current policies and procedures, as relates to fleet management and maintenance.</p> <p>b. The policies and procedures will be developed with the assistance, concurrence of the “fleet committee” and authorized by the City Manager’s Office.</p> <p><b>Responsible Party:</b> Chief Financial Officer or his/her Designee</p> <p><b>Implementation Date:</b> December 31, 2021</p>	<p><b>Not Implemented</b></p> <p>This is in progress. The Fleet Manager has reviewed and provided feedback on draft policies and procedures for the Fleet Maintenance Division.</p> <p>These draft policies and procedures will be submitted to the Senior Leadership Team in October 2022 for their consideration.</p>	<p><b>Not Implemented</b></p> <p>This is in progress awaiting the successful recruitment of a Fleet Manager.</p>

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

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**A2020-04 Vector Fleet Contract Audit**

3.3	Provide training on contract policies and procedures for compliance and monitoring.	<p>Management will prepare and schedule appropriate training.</p> <p><b>Responsible Party:</b> Chief Financial Officer or his/her Designee</p> <p><b>Implementation Date:</b> March 31, 2022</p>	<p style="color: red;"><b>Partially Implemented</b></p> <p>The Finance Department has met with the Fleet Manager to review City purchasing and contracting policies.</p> <p>The Fleet Manager is currently reviewing existing contracts with the Purchasing Team.</p>	<p style="color: red;"><b>Not Implemented</b></p> <p>The Finance department is currently creating new training and policies in concurrence with the new ERP system's (HUB) implementation.</p>
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**Office of Internal Audit  
Quarterly Management Implementation Status Report  
Fiscal Year 2022-2023 (1st Quarter)**

<b>KEY</b>	<b>Not Implemented</b>	<b>Partially Implemented</b>	<b>Implemented</b>	<b>Past Implementation Date</b>
	<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response – October 27, 2022</b>	<b>Management Follow-up Response – April 28, 2022</b>
<b>A2021-02 Wireless Communication Usage Audit</b>				

<b>Status of Recommendations on April 28, 2022:</b>			
Implemented	Partially Implemented	Not Implemented	Total
0	0	7	7

\*This report reflects responses for the 7 outstanding recommendations.

1.1	<p>Establish written guidelines that outline user department requirements for oversight and accountability. These guidelines should include but not limited to:</p> <ul style="list-style-type: none"> <li>• Identify clear delineation of responsibilities related to the City’s wireless communication function within the Information Technology Department and applicable departmental personnel;</li> <li>• Monthly review of invoices for billing irregularity, overage charges, and zero and underutilized usage with actionable follow-up;</li> <li>• Documenting the business need for devices that must remain active regardless of usage;</li> <li>• Documenting management exceptions to City-wide</li> </ul>	<p>IT provided oral communication to departments regarding expectation for the monthly review of invoices. This finding is due to no management oversight by departments. In order to fully implement this recommendation, we need to centralize management of all wireless/mobile devices, which would require one FTE to manage the entire fleet of assets. Full implementation is contingent upon approval of FTE and support/collaboration from departments.</p> <p><b>Responsible Party:</b> Chief Information Officer</p> <p><b>Implementation Date:</b> 12/31/2022</p>	<p><b>Not Implemented</b></p> <p>FTE position was not approved in fiscal year 2022-2023. IT will continue to provide oral communication to departments for monthly review of invoices and account. IT will create SOP that will include guidelines that outline user department requirements for oversight and accountability by 6/30/2023.</p>	<p><b>Not Implemented</b></p> <p>Implementation is contingent upon the approval of an FTE position and support/collaboration from departments.</p> <p>The Information Technology Department plans to request an FTE position via the new initiative process during the fiscal year 2022-2023 budget process.</p>
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**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – October 27, 2022	Management Follow-up Response – April 28, 2022

**A2021-02 Wireless Communication Usage Audit**

	<p>standards for device distribution;</p> <ul style="list-style-type: none"> <li>• Timelines and reasons for the suspension and deactivation of cellular service plans; and</li> <li>• Utilizing Verizon Wireless hotspots in lieu of activating cellular service on multiple devices.</li> </ul>			
1.2	<p>Assign devices to the appropriate contracted service plan prior to deploying the device to the assigned individual or department.</p>	<p>IT provided oral communication to departments regarding expectation for the monthly review of invoices. This finding is due to no management oversight by departments. In order to fully implement this recommendation, we need to centralize management of all wireless/mobile devices, which would require one FTE to manage the entire fleet of assets. Full implementation is contingent upon approval of FTE and support/collaboration from departments.</p> <p><b>Responsible Party:</b> Chief Information Officer</p>	<p><b>Implemented</b></p> <p>All devices are currently on the Public Safety voice and data plan. Any additional devices will automatically be on this plan.</p>	<p><b>Not Implemented</b></p> <p>Implementation is contingent upon the approval of an FTE position and support/collaboration from departments.</p> <p>The Information Technology Department plans to request an FTE position via the new initiative process during the fiscal year 2022-2023 budget process.</p>

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

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**A2021-02 Wireless Communication Usage Audit**

		<b>Implementation Date: 12/31/2022</b>		
2.1	Complete and document a full inventory of all active devices to ensure existence.	<p>Centralized inventory tracking of wireless/mobile devices will be tracked via Verizon’s database. One dedicated FTE to manage the entire fleet of mobile devices coupled with support/collaboration from departments is key to fulfilling the stated recommendations. The current inventory process will be documented and revised to accomplish items 1, 2 &amp; 5. Full implementation is contingent upon approval of hiring one FTE as well as support/collaboration from departments.</p> <p><b>Responsible Party:</b> Chief Information Officer</p> <p><b>Implementation Date:</b> 12/31/2022</p>	<p><b>Not Implemented</b></p> <p>FTE position was not approved in fiscal year 2022-2023. This is the responsibility of the department administrators.</p> <p>Centralized inventory tracking of wireless/mobile devices is tracked via Verizon’s database. Departments are responsible for ensuring their devices are suspended and/or reassigned with the current username. This process will be documented in the SOP which will require the departments to review their accounts monthly.</p>	<p><b>Not Implemented</b></p> <p>Implementation is contingent upon the approval of an FTE position and support/collaboration from departments.</p> <p>The Information Technology Department plans to request an FTE position via the new initiative process during the fiscal year 2022-2023 budget process.</p>
2.2	Establish a centralized inventory of all devices and track all information necessary for devices to be traced to an individual, a piece of equipment, or a specific location, to include the individual responsible.	<p>Centralized inventory tracking of wireless/mobile devices will be tracked via Verizon’s database. One dedicated FTE to manage the entire fleet of mobile devices coupled with support/collaboration from departments is key to fulfilling the</p>	<p><b>Not Implemented</b></p> <p>FTE position was not approved in fiscal year 2022-2023. This is the responsibility of the department administrators.</p>	<p><b>Not Implemented</b></p> <p>Implementation is contingent upon the approval of an FTE position and support/collaboration from departments.</p>

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response – October 27, 2022</b>	<b>Management Follow-up Response – April 28, 2022</b>

**A2021-02 Wireless Communication Usage Audit**

		<p>stated recommendations. The current inventory process will be documented and revised to accomplish items 1, 2 &amp; 5. Full implementation is contingent upon approval of hiring one FTE as well as support/collaboration from departments.</p> <p><b>Responsible Party:</b> Chief Information Officer</p> <p><b>Implementation Date:</b> 12/31/2022</p>	<p>Centralized inventory tracking of wireless/mobile devices is tracked via Verizon’s database. Departments are responsible for ensuring their devices are suspended and/or reassigned with the current username. This process will be documented in the SOP which will require the departments to review their accounts monthly.</p>	<p>The Information Technology Department plans to request an FTE position via the new initiative process during the fiscal year 2022-2023 budget process.</p>
2.3	<p>As the City migrates to the Oracle Cloud ERP system, the small asset management system should be implemented and used to track all City small assets, to include cellular devices.</p>	<p>Centralized inventory tracking of wireless/mobile devices will be tracked via Verizon’s database. One dedicated FTE to manage the entire fleet of mobile devices coupled with support/collaboration from departments is key to fulfilling the stated recommendations. The current inventory process will be documented and revised to accomplish items 1, 2 &amp; 5. Full implementation is contingent upon approval of hiring one FTE as well as support/collaboration from departments.</p>	<p><b>Department Does Not Concur</b></p> <p>The small asset management system in Oracle will not be used. The management of the devices will be via the Verizon database to eliminate the duplication of using multiple tools which could result in errors.</p>	<p><b>Not Implemented</b></p> <p>Implementation is contingent upon the approval of an FTE position and support/collaboration from departments.</p> <p>The Information Technology Department plans to request an FTE position via the new initiative process during the fiscal year 2022-2023 budget process.</p>

**Office of Internal Audit  
Quarterly Management Implementation Status Report  
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KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response – October 27, 2022</b>	<b>Management Follow-up Response – April 28, 2022</b>

**A2021-02 Wireless Communication Usage Audit**

		<p><b>Responsible Party:</b> Chief Information Officer</p> <p><b>Implementation Date:</b> 12/31/2022</p>		
2.4	Follow established City standards for properly documenting the surplus and removal of all devices past their usable life cycle.	<p>Centralized inventory tracking of wireless/mobile devices will be tracked via Verizon’s database. One dedicated FTE to manage the entire fleet of mobile devices coupled with support/collaboration from departments is key to fulfilling the stated recommendations. The current inventory process will be documented and revised to accomplish items 1, 2 &amp; 5. Full implementation is contingent upon approval of hiring one FTE as well as support/collaboration from departments.</p> <p><b>Responsible Party:</b> Chief Information Officer</p> <p><b>Implementation Date:</b> 12/31/2022</p>	<p><b>Implemented</b></p> <p>City standards to properly document the surplus and removal of all devices past their usable life cycle is currently being followed. Surplus devices are labeled with prior user name and then disposed of properly.</p>	<p><b>Not Implemented</b></p> <p>Implementation is contingent upon the approval of an FTE position and support/collaboration from departments.</p> <p>The Information Technology Department plans to request an FTE position via the new initiative process during the fiscal year 2022-2023 budget process.</p>
2.5	Establish written guidelines requiring a periodic departmental inventory for device existence.	<p>Centralized inventory tracking of wireless/mobile devices will be tracked via Verizon’s database. One dedicated FTE to manage the entire</p>	<p><b>Not Implemented</b></p> <p>FTE position was not approved in fiscal year 2022-2023. This is</p>	<p><b>Not Implemented</b></p> <p>Implementation is contingent upon the approval of an FTE</p>



**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response – October 27, 2022</b>	<b>Management Follow-up Response – April 28, 2022</b>

**A2021-02 Wireless Communication Usage Audit**

		<p>fleet of mobile devices coupled with support/collaboration from departments is key to fulfilling the stated recommendations. The current inventory process will be documented and revised to accomplish items 1, 2 &amp; 5. Full implementation is contingent upon approval of hiring one FTE as well as support/collaboration from departments.</p> <p><b>Responsible Party:</b> Chief Information Officer</p> <p><b>Implementation Date:</b> 12/31/2022</p>	<p>the responsibility of the department administrators. This process will be documented in the SOP which will require the departments to review their accounts monthly.</p>	<p>position and support/collaboration from departments.</p> <p>The Information Technology Department plans to request an FTE position via the new initiative process during the fiscal year 2022-2023 budget process.</p>
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**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

<b>KEY</b>	<b>Not Implemented</b>	<b>Partially Implemented</b>	<b>Implemented</b>	<b>Past Implementation Date</b>
	<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response – October 27, 2022</b>	<b>Management Follow-up Response – April 28, 2022</b>
<b>A2022-01 Fire Kronos Implementation Audit</b>				

<b>Status of Recommendations on April 28, 2022:</b>				
Implemented	Partially Implemented	Not Implemented	Total	
1	3	0	4	
*This report reflects responses for the 3 outstanding recommendations.				
1.1	Work with the Human Resource Development Department and the City Attorney’s Office and establish written payroll policies.	Now that the transition is nearly complete, the department can codify its practices, aligned with the functionality of the new systems. The department has been made aware of a pending upgrade to the Kronos and Telestaff software platforms that necessitates delay of implementing any new policies until system changes are known. In the interim, the department has requested review of its payroll practices by a third party consultant. The department plans to have its new processes defined by policy no later than June 30, 2022.  <b>Responsible Party:</b> Deputy Chief of Human Resources  <b>Implementation Date:</b> June 30, 2022	<b>Partially Implemented</b>  A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system upgrades to be completed before codifying into policy. The department has not received any feedback from the third party consultant at the time of this report.  No payroll related issues were noted during the third party review.  Latest update indicates Kronos upgrade tentatively planned for November 2022.	<b>Partially Implemented</b>  A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system upgrades to be completed before codifying into policy. The department has not received any feedback from the third party consultant at the time of this report.
1.2	Update and maintain documented payroll procedures to align with	Now that the transition is nearly complete, the department can codify	<b>Partially Implemented</b>	<b>Partially Implemented</b>

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	<b>Recommendation</b>	<b>Management Response</b>	<b>Management Follow-up Response – October 27, 2022</b>	<b>Management Follow-up Response – April 28, 2022</b>

**A2022-01 Fire Kronos Implementation Audit**

	current payroll processes. The procedures should be sufficient for alternate employees to process departmental payroll.	its practices, aligned with the functionality of the new systems. The department has been made aware of a pending upgrade to the Kronos and Telestaff software platforms that necessitates delay of implementing any new policies until system changes are known. In the interim, the department has requested review of its payroll practices by a third party consultant. The department plans to have its new processes defined by policy no later than June 30, 2022.  <b>Responsible Party:</b> Deputy Chief of Human Resources  <b>Implementation Date:</b> June 30, 2022	A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system upgrades to be completed before codifying into policy. The department has not received any feedback from the third party consultant at the time of this report. Adequate guidance is included in the draft document to effectuate bi-weekly payroll.  Latest update indicates Kronos upgrade tentatively planned for November 2022.	A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system upgrades to be completed before codifying into policy. The department has not received any feedback from the third party consultant at the time of this report. Adequate guidance is included in the draft document to effectuate bi-weekly payroll.
1.3	Designate and train an alternate employee to perform payroll processes.	The department will continue to maintain alternate staff with the knowledge and ability to process payroll, primarily using the office assistant assigned to the training division.	<b>Fully Implemented</b>  The Deputy Chief of Human Resources and the Fire Chief have been trained to perform payroll processes as needed. Additional personnel will be	<b>Partially Implemented</b>  The Deputy Chief of Human Resources and the Fire Chief have been trained to perform payroll processes as needed. Additional personnel will be

**Office of Internal Audit**  
**Quarterly Management Implementation Status Report**  
**Fiscal Year 2022-2023 (1st Quarter)**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – October 27, 2022	Management Follow-up Response – April 28, 2022

**A2022-01 Fire Kronos Implementation Audit**

		<b>Responsible Party:</b> Deputy Chief of Human Resources  <b>Implementation Date:</b> June 30, 2022	trained upon acquisition of requested position(s).	trained upon acquisition of requested position(s).
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# **Compliance Audit 2022-05 Police Department Confidential Funds**

**October 2022**

**Interim Director of Internal Audit**

Rose Rasmussen

**Internal Auditor**

Amanda Mott

Office of Internal Audit

DRAFT



**OUR MISSION**

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville’s operations.

**Interim Internal Audit Director**  
Rose Rasmussen

**Internal Auditor**  
Amanda Mott

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**Mailing Address: 433 Hay Street, Fayetteville, NC 28301**

# Police Department Confidential Funds Highlights

## Objectives:

To determine if:

- Confidential funds were sufficiently administered;
- Proper internal controls were in place to safeguard confidential funds;
- Use of the funds were properly authorized, approved and recorded;
- Complete and accurate records were maintained; and
- Sufficient corrective actions were taken by management to address the recommendations detailed in prior fiscal year audit reports.

## Scope:

July 1, 2021 through May 31, 2022

## Background:

- The Vice Investigations Division administered and controlled the cash fund;
- The annual budget was \$100,000;
- Enabled the unit to operate by concealing their identity; and
- Cash was safeguarded and monitored for authorized use within the division.

## Highlights:

- During the audit scope, **23** personnel maintained or used confidential funds;
- The sample size was **6** officers that maintained or used funds; and
- Expenditures audited totaled **\$24,570.00**.

## Conclusion:

Based on the work performed, the Office of Internal Audit concluded the Division was:

1. Generally in compliance with the applicable policies, procedures and guidelines; and
2. Adequate internal controls existed for the Police Department's confidential funds.

There were no significant exceptions noted.

In addition, findings from prior years were implemented through updates to operating procedures.

## ***BACKGROUND***

The Fayetteville Police Department's Vice Investigations Division administered and controlled an informant/expenditure cash fund. The units within this Division conducted covert operations and had a budget of \$100,000 for each fiscal year. The Narcotics Unit Lieutenant was the primary cash custodian with the responsibility of safeguarding the physical cash and ensuring authorized use of the funds. In addition, cash ledgers were maintained and receipts were completed each time funds were spent by personnel who received or used cash. By using these funds, the units were able to conceal their identity from criminals, vendors and the public. This fund had the following allowable uses:

1. Pay informants or citizen sources;
2. Purchase contraband; or
3. Expenses incurred while working undercover or investigative operations.

## ***AUDIT OBJECTIVES***

The objectives of the audit were to determine if:

- Confidential funds were sufficiently administered in accordance with established laws, regulations, guidelines, policies and procedures;
- Proper internal controls existed and were working as intended to safeguard confidential funds from loss, theft or fraud;
- Expenditures and withdrawals from the funds were properly authorized, approved and recorded;
- Complete and accurate manual records were maintained for all deposits, withdrawals and other transactions affecting the confidential fund accounts; and
- Sufficient corrective actions were taken by management to address the recommendations detailed in prior fiscal year audit reports.

## ***AUDIT SCOPE***

The scope of the audit covered the fund activity from July 1, 2021 through May 31, 2022 with the following limitation:

- When officer's partner with outside agencies, the information available, to include validating the existence of purchased contraband, is limited due to the sensitive nature of the work performed.

The sample of expenditures reviewed during the audit scope included 85 transactions for a total of \$24,570.00.

## ***AUDIT METHODOLOGY***

To review compliance and determine the adequacy of internal controls, Internal Audit:

- Reviewed applicable written policies, procedures, and guidelines;
- Interviewed Police Department personnel involved in the administration, maintenance and use of confidential funds;
- Reviewed the accounting records and documents pertaining to confidential funds to include training provided through PowerDMS; and
- Traced contraband seized during operations to the Property and Evidence Room.



***FINDINGS, RECOMMENDATIONS,  
AND MANAGEMENT'S RESPONSES***

Based on the audit work performed, the Office of Internal Audit concluded the Police Department's Vice Investigations Division was generally in compliance with applicable policies, procedures and guidelines; and adequate internal controls existed for the Police Department's confidential funds. There were no significant exceptions noted.

***FOLLOW-UP AUDIT RESULTS***

The Police Department had two outstanding audit recommendations which have been implemented:

	<b>Original Recommendation</b>	<b>Observation</b>	<b>Status</b>
A2016-01: Recommendation 4	RMS disposal records did not provide adequate documentation to account for transfers from the Evidence Room to the Narcotics Unit.	<i>Operating Procedure 6.2 Evidence and Property Management</i> was updated establishing the required transfer documentation. For transfers during the audit scope, this documentation was signed by both the releasing and receiving personnel.	<b>Implemented</b>
A2018-03: Recommendation 1	Documentation of review and timely reporting were lacking.	<i>Operating Procedure 5.8 Confidential Funds &amp; Use of Informants</i> was updated to establish a timeliness measure of 60 days. During the audit scope, the average number of days for the documentation to be reviewed by the Assistant Police Chief was 46 days.	<b>Implemented</b>

***CONCLUSION***

Internal Audit has concluded work on the audit of Police Department Confidential Funds. Based upon test work performed, Internal Audit concluded the Department is in compliance.

Internal Audit would like to thank Department personnel for their assistance and numerous courtesies extended during the completion of this audit.



Office of Internal Audit

**Compliance Audit 2022-04  
Subrecipient Grant Monitoring**

**October 2022**

**Interim Director of Internal Audit**  
Rose Rasmussen

**Internal Auditor**  
Amanda Mott

DRAFT

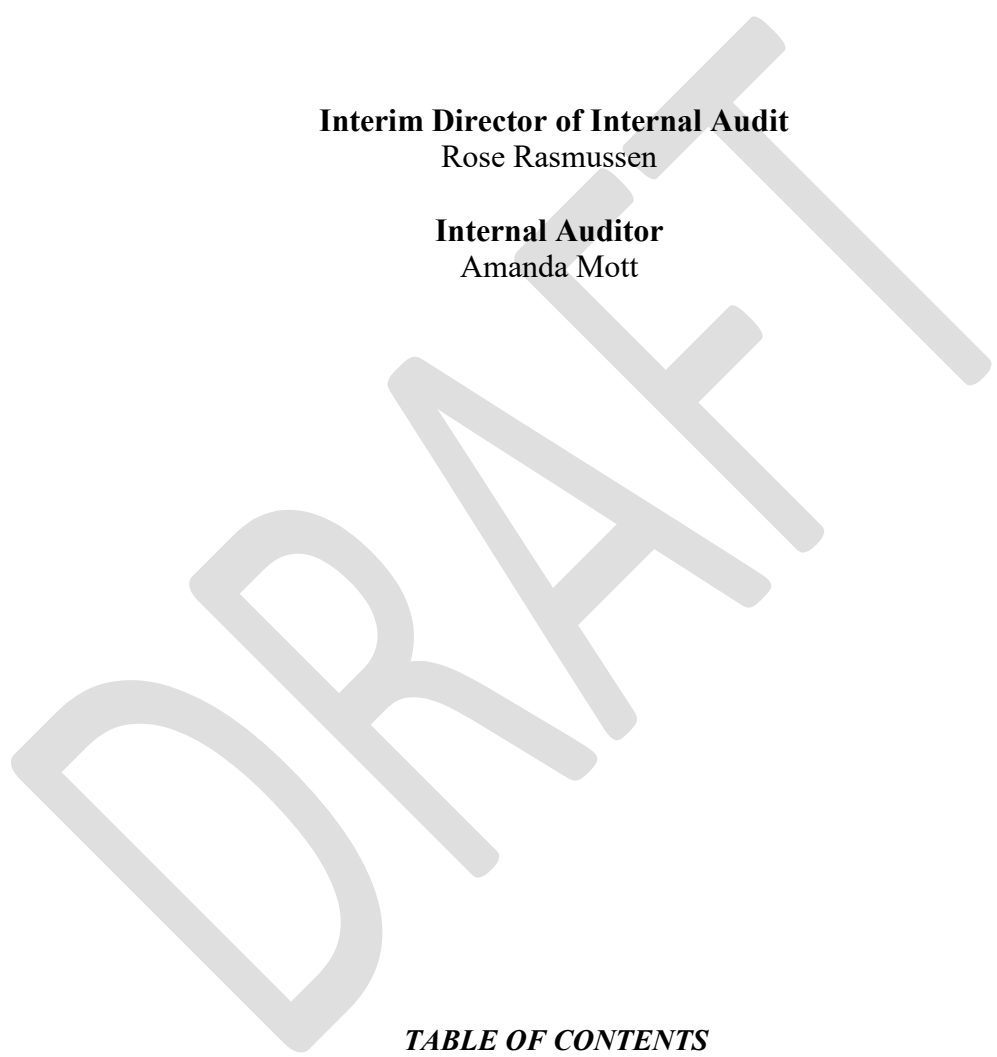


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**Mailing Address: 433 Hay Street, Fayetteville, NC 28301**

# Subrecipient Grant Monitoring Highlights

## Objective:

To determine if the City is monitoring subrecipient activities to provide reasonable assurance that subrecipients are in compliance with grantor requirements.

## Scope:

- 6 subrecipients awarded CDBG funds during fiscal year 2020 to fiscal year 2022

## Background:

- The Department of Housing and Urban Development (HUD) oversees the Community Development Block Grant (CDBG) program.
- The City has flexibility to use these funds within the following objectives:
  - Benefit low and moderate income persons;
  - Prevent or eliminate slum and blight; and
  - Meet urgent needs that threaten health or safety.
- Nonprofit organizations (subrecipients) assist the City in carrying out the selected activities.
- The City must provide reasonable assurance the funds are used in compliance with guidelines.
- The City was awarded CDBG funds totaling \$4,763,545 from fiscal year 2020 to fiscal year 2022.

## Highlights:

- Statements of work for subrecipient agreements included:
  - Conflicting language, and
  - Administrative and case management costs without defining what these costs should include.
- Agreements did not completely and accurately contain all required provisions and identifying information.
- The Department did not use a risk assessment to determine the frequency or extent of monitoring to conduct for each subrecipient.
- Monitoring was not provided for all subrecipients and program years sampled.
- Monitoring checklists used for all reviews, both in person and virtual, did not always provide sufficient details to explain the review process or results of the review.
- 18 agreements were fully executed after the effective dates.
  - The time from the effective date and the execution date was between 21 and 212 days, averaging 94 days.
- All payments reviewed were made after the contracts were fully executed.

## Conclusion:

Internal Audit concluded work on the audit of Subrecipient Grant Monitoring. Based upon test work performed, Internal Audit concluded subrecipient agreements were in place and monitoring was performed. However, controls could be improved through:

- Updates to agreement templates;
- Staff training on use and monitoring of the funds, and
- Establishing written procedures.

## ***BACKGROUND***

The Department of Housing and Urban Development (HUD) oversees the Community Development Block Grant (CDBG) program. States, cities and counties are awarded these funds to develop new affordable housing for both renters and homebuyers, rehabilitate existing homes and expand economic opportunities within the following objectives:

1. Benefit low and moderate income persons;
2. Prevent or eliminate slum and blight; and
3. Meet urgent needs that threaten health or safety.

The City is given a high level of flexibility within the program's objectives to select activities which best meet the needs of the community. To assist in accomplishing the selected activities, the City (grant recipient) contracts with nonprofit organizations (grant subrecipients). When the City passes this funding to the subrecipient, the compliance requirements applicable to the grant program are also passed to the subrecipient. However, the City is responsible to provide reasonable assurance the funds passed to the subrecipient are used and managed in compliance with HUD, State and City requirements. Therefore, the City must establish and conduct a subrecipient monitoring program, since HUD could monitor the City's use of CDBG funds at any time to ensure program effectiveness and determine if programs are carried out in compliance with applicable laws and regulations.

As an entitlement community, the City is awarded funds annually. A total of \$4,763,545 in CDBG funds was awarded to the City from fiscal year 2020 to fiscal year 2022 as shown below.<sup>1</sup>

<b>Fiscal Year</b>	<b>Allocation Amount</b>
<b>FY20</b>	\$1,534,192
<b>FY21</b>	\$1,622,224
<b>FY22</b>	\$1,607,129
<b>Total</b>	<b>\$4,763,545</b>

## ***AUDIT OBJECTIVES***

The objective of the audit was to determine if the City is monitoring subrecipient activities to provide reasonable assurance that subrecipients are in compliance with grantor requirements.

## ***AUDIT SCOPE***

The scope of the audit included six subrecipients awarded CDBG funds by the City during fiscal year 2020 to fiscal year 2022.

## ***AUDIT METHODOLOGY***

To determine compliance, Internal Audit:

- Reviewed applicable written policies, procedures, and guidelines to include but not limited to:
  - 24 CFR Part 570 and
  - 2 CFR Part 200;
- Interviewed Economic & Community Development Department personnel;
- Reviewed subrecipient agreements, monitoring documentation and any other documentation associated with the subrecipient awards and monitoring,

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<sup>1</sup> This does not include CDBG Coronavirus funds authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

- Reviewed subrecipient payment records in JD Edwards and the HUB, the City’s Enterprise Resource Planning Systems; and
- Considered the risk of fraud, waste and abuse.

***FINDINGS, RECOMMENDATIONS,  
AND MANAGEMENT’S RESPONSES***

**Finding 1**

***Agreement language was not clear and complete.***

Criteria: Per federal regulations, the statement of work in the subrecipient agreements should be in sufficient detail to provide a sound basis for the recipient to effectively monitor performance under the agreements.

In addition, the federal regulations established provision requirements for the subrecipient agreements.

Condition: Statements of work for subrecipient agreements included:

- Conflicting language, and
- Administrative and case management costs without defining what these costs should include.

In addition, the City used agreement templates. However, the agreement templates did not completely and accurately contain all required provisions and identifying information.

Cause: When changes to the federal regulations occurred, the agreement templates were not updated to accommodate the changes.

Effect: If the subrecipient is unaware of the requirements, funds could be spent on unallowable costs, and the City could be responsible for those costs.

**Recommendation**

The Economic & Community Development Department management should:

1. With guidance from the City Attorney’s Office, update the agreement templates with the required provisions and identifying subaward information to comply with all federal, state, and City requirements.
2. Annually review changes to the federal regulations and update the agreement templates accordingly.
3. Clearly define allowable costs in each agreement’s statement of work.

**Management’s Response**

We concur. Management is in full agreement with the recommendation. On July 14, 2021 the Department contracted with Civitas, LLC for on call technical assistance to ensure compliance with the Code of Federal Regulations (CFR) that pertains to all Housing and Urban Development (HUD) grant entitlements under the purview of the Economic and Community Development Department (ECD). The first goals for the consultants were related compliance with Environmental Review Procedures and Housing Programs. For agreements executed at the time of this audit, a review was conducted and required provisions were included, the scope of work for each agreement was clearly defined to a greater level of detail than previously provided. With guidance from our technical experts, the City will base a new subrecipient agreement on the template provided on the Housing and Urban Development website and will check annually for an updated template.

Responsible Party: Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager

Implementation Date: July 1, 2022

## **Finding 2**

### ***Subrecipient monitoring did not consistently follow federal requirements.***

*Criteria:* Federal regulations require the non-federal entities (City) to establish and maintain effective internal controls over federal awards that provide reasonable assurance the awards are being managed in compliance with federal statutes, regulations and the terms and conditions of the federal award.

In addition, the City should:

- Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms of the subaward (agreement); and
- Monitor as necessary to include but not limited to ensuring:
  - The subaward is used for authorized purposes;
  - Performance goals are achieved; and
  - Subrecipients take timely action on all deficiencies and resolve audit findings related to the subaward.

#### **Condition:**

- The Department did not use a risk assessment to determine the frequency or extent of monitoring to conduct for each subrecipient.
- Monitoring was not provided for all subrecipients and program years sampled;
- Monitoring checklists used for all reviews, both in person and virtual, did not always provide sufficient details to explain the review process or results of the review.

*Cause:* Staff lacked the training needed to ensure monitoring was sufficiently documented and provided reasonable assurance that subrecipients were complying with federal, state, and contractual guidance. In addition, documentation was saved in a manner that was not accessible or readily available to all employees.

*Effect:* Insufficient subrecipient monitoring could result in audit findings. These findings could result in fines, repayment of grant funds, or a loss of future CDBG awards.

#### **Recommendation**

The Economic & Community Development Department management should:

1. Use the risk assessment to create a risk based monitoring schedule for each program year. For each subrecipient, the schedule should include, but not be limited to:
  - The frequency of monitoring; and
  - The extent of the monitoring to include if it will be on-site or virtual.
2. Create and implement written procedures on subrecipient monitoring to include, but not limited to:
  - Documentation requirements;
  - Determining if costs were an eligible use of funds and in accordance with contract terms;
  - Checking for suspension and debarment of subrecipients and contractors of the subrecipients;
  - Determining if conflict of interests existed with contractors of the subrecipients, and
  - Conducting an inventory of property purchased using grant funds.
3. Research available training on use and monitoring of CDBG funds and have staff attend these trainings.
4. Train employees on the monitoring expectations to include, but not limited to:
  - Providing the details necessary to show and/or explain what, when, and how each review area was assessed for compliance; and
  - Saving all monitoring documentation in a way that is accessible to all department staff.

#### **Management’s Response**

We partially concur. Management is in agreement with a portion of the recommendation. The ECD uses a risk assessment annually as part of its application process for subrecipients. However, the risk assessment does not impact the frequency and depth of our annual monitoring of subrecipients. ECD will continue to

monitor all subrecipients in-depth and on an annual basis at approximately the sixth month of the year-long agreements. For new subrecipients, the Department provides onsite technical training on the front-end of the contract. On August 23, 2021 the Department contracted with Urban Design Ventures, LLC to develop a program-wide standard operating procedure that includes guidance on subrecipient monitoring. This standard operating procedure will be implemented by December of 2022. Training has been conducted and will be conducted annually as a refresher to all managers. Monitoring of multiple subrecipients was requested but had not yet been conducted during the current program year. All monitoring has been conducted and is available for review. Other subrecipients were monitored in the prior years but documentation was not included in the files, it has now been included. Lastly, monitoring of one subrecipient was not documented during the prior two program years so reports could not be produced. Subsequent to this Internal Audit, this subrecipient was monitored for the current program year and no significant findings were noted. Management will ensure all documentation is present prior to closeout by utilizing the newly implemented Neighborly workflow software.

Responsible Party: Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager

Implementation Date: July 1, 2022 (for updated subrecipient agreements) and December 31, 2022 (established policies and procedures)

### **Finding 3**

***Subrecipient agreements were executed after the effective date.***

*Criteria:* Subrecipient agreements identify the rules and regulations the subrecipients must follow and provide a basis for the City to enforce those requirements.

In addition, federal regulations required a signed written agreement in place before disbursing any CDBG funds to a subrecipient.

*Condition:* Of the 19 agreements reviewed, 18 were fully executed after the effective dates. For these 18 agreements, the time from the effective date and the execution date was between 21 and 212 days, with an average of 94 days.

However, all payments reviewed were made after the contracts were fully executed.

*Cause:* Staff did not understand when agreements could be executed.

*Effect:* Subrecipients waited for the agreements to be fully executed before receiving payment. In addition, without an executed agreement, there is no legal obligation for the subrecipient to perform according to contract requirements.

### **Recommendation**

The Economic & Community Development Department management should establish written procedures to have agreements ready to be fully executed once funds are appropriated by City Council.

### **Management's Response**

We concur with reservations. Management is in agreement with the recommendation, but there are circumstances that could affect its implementation which have to be resolved. This deficiency is attributable to three causes: 1) Nearly full turnover of staff, 2) Influx of work due to COVID recovery funding, and 3) delays in "loading" the budget in the financial system due to a misunderstanding of 24 CFR Part 570.200(h).



The Department will monitor agreements to ensure that they will be executed within the month of July annually and will work with Finance to ensure funds are made available in a timely manner.

Responsible Party: Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager

Implementation Date: August 1, 2022

### ***CONCLUSION***

Internal Audit concluded work on the audit of Subrecipient Grant Monitoring. Based upon test work performed, Internal Audit concluded subrecipient agreements were in place and monitoring was performed. However, controls could be improved through:

- Updates to agreement templates,
- Staff training on use and monitoring of the funds, and
- Establishing policies and procedures.

Internal Audit would like to thank Department personnel for their assistance and numerous courtesies extended during the completion of this audit.



Office of Internal Audit

# Internal Audit Annual Report

**Fiscal Year 2022**

**Director of Internal Audit**  
Elizabeth Somerindyke

**Senior Internal Auditor**  
Rose Rasmussen

**Internal Auditor**  
Amanda Rich



**OUR MISSION**

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville’s operations.

**Director of Internal Audit**  
Elizabeth Somerindyke

**Senior Internal Auditor**  
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**Internal Auditor**  
Amanda Rich

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**Mailing Address: 433 Hay Street, Fayetteville, NC 28301**

## ***INTRODUCTION***

According to *City of Fayetteville, NC Internal Audit Charter*, the Internal Audit Director will annually report to the Audit Committee and the City Manager on the internal audit activity's purpose, authority, responsibility and performance relative to its annual audit plan. The Internal Audit Director is also responsible for reporting significant risk exposures, control issues, fraud risks, governance issues, and other matters needed or requested by the Audit Committee and the City Manager.

## ***PURPOSE/MISSION***

The mission of the Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville's operations. The Office of Internal Audit helps the City of Fayetteville's management team accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

<b><u>Key Performance Measures</u></b>	<b><u>FY 2021 Actual</u></b>	<b><u>FY 2022 Actual</u></b>	<b><u>FY 2023 Target</u></b>
% of Internal Audit recommendations accepted by management	100%	100%	100%

Acceptance of audit recommendations is an indicator of service quality. In fiscal year 2022, management accepted and provided estimated implementation dates for 14 of 14 recommendations included in two audit reports issued during the fiscal year. These results exceed the 83% industry benchmark published by the Association of Local Government Auditors.

## ***AUTHORITY***

The Office of Internal Audit shall have full, free, and unrestricted access to any and all of the City of Fayetteville's records, physical properties and personnel pertinent to carrying out any engagement. All employees are expected to assist the Office of Internal Audit in fulfilling its roles and responsibilities. The internal auditors will also have free and unrestricted access to the City Council and the Audit Committee.

## ***RESPONSIBILITY***

Audit coverage will encompass, as deemed appropriate by the Internal Audit Director, independent reviews and evaluations of any and all management operations and activities to appraise:

- Measures taken to safeguard assets, including tests of existence and ownership as appropriate.
- Reliability, consistency, and integrity of financial and operating information.
- Compliance with policies, plans, standards, laws, and regulations that could have significant impact on operations.
- Economy and efficiency in the use of resources.
- Effectiveness in the accomplishment of the mission, objectives, and goals established for the City's operations and projects.
- Managing and responding to the Fraud hotline.

**AUDIT SERVICES**

<b>AUDITS</b>	<b>STATUS</b>
<p><b>WEX Fuel Card Follow-up - Police (A2019-05F2)</b> Overall, substantial progress was made related to the audit recommendations with 8 of 12 recommendations progressing to full resolution. The Police Department updated their WEX Fuel Card SOP on March 25, 2021 to include updates on the departmental monthly review, procedures for safeguarding fuel cards, and additional review requirements to ensure fuel card existence. The monthly review process included an evaluation of 8 WEX reports used to detect and follow-up on exceptions.</p>	<p><b>Report Issued August 2021</b></p>
<p><b>Wireless Communication Usage (A2021-02)</b> Based upon test work performed, Internal Audit concluded:</p> <ol style="list-style-type: none"> <li>1. An opportunity existed for cost savings through increased oversight and accountability of cellular service plans; and</li> <li>2. A clear system of inventory management is needed to safeguard devices.</li> </ol>	<p><b>Report Issued August 2021</b></p>
<p><b>Police Department Confidential Funds (A2021-01)</b> The Vice Investigative Division administered the confidential funds in accordance with established procedures, and internal controls were satisfactory and worked effectively. There were no significant exceptions noted. However, corrective actions had not been finalized by management to address recommendations detailed in fiscal year 2016 and 2018 audit reports. Audit recommendations related to updating operating procedures remained not implemented.</p>	<p><b>Report Issued November 2021</b></p>
<p><b>Vector Fleet Contract (A2020-04)</b> This audit highlighted vague contract terms that made it difficult to understand the contract requirements, ultimately impacting the success of the fleet function. Since the completion of the audit in September 2020, management transitioned the City of Fayetteville’s fleet management services from the on-site Contractor to a City operated fleet maintenance operation with the strategic plan goal of being a financially sound city providing exemplary city services. The contract with the on-site Contractor was mutually dissolved on June 30, 2021. Therefore, audit recommendations related to contract terms were no longer applicable.</p> <p>However, in reference to Internal Audit’s recommendations related to the oversight of fleet services, management intends to either implement or consider establishing a Fleet Committee, create and/or update current policies and procedures related to fleet management and maintenance, and prepare and schedule appropriate training.</p>	<p><b>Report Issued November 2021</b></p>
<p><b>Fire Kronos Implementation Audit (A2022-01)</b> Based on the audit work performed, the Office of Internal Audit concluded overall the implementation was sufficient for employees to be paid correctly, but internal controls could be strengthened to include payroll policies, updated procedures, and a review and approval of payroll information in Kronos conducted by an independent party.</p>	<p><b>Report Issued January 2022</b></p>
<p><b>Changes to Employee Pay Audit</b> Based upon test work performed, Internal Audit concluded controls were sufficient for base pay adjustments to be properly approved, accurately calculated, processed timely and adequately supported.</p> <p>Although not findings, Internal Audit identified the following improvement opportunities:</p> <ol style="list-style-type: none"> <li>1. Clarify guidelines to reduce the potential for varying interpretations.</li> </ol>	<p><b>Report Issued April 2022</b></p>

2. Consider reviewing the pay adjustment reasons and change codes to ensure coding is consistent and only codes necessary are carried forward into the new enterprise resource planning (ERP) system.	
<b>Subrecipient Grant Monitoring Audit (A2022-04)</b> The audit report was presented to the Audit Committee in October 2022. Based upon test work performed, Internal Audit concluded subrecipient agreements were in place and monitoring was performed. However, controls could be improved through: <ol style="list-style-type: none"> <li>1. Updates to agreement templates;</li> <li>2. Staff training on use and monitoring of the funds, and</li> <li>3. Establishing written procedures.</li> </ol>	<b>Audit In Progress</b>
<b>Police Confidential Funds (A2022-05)</b> The audit report was presented to the Audit Committee in October 2022. Based upon test work performed, Internal Audit concluded the Division was generally in compliance with the applicable guidelines; and adequate internal controls existed. There were no significant exceptions noted. In addition, findings from prior years were implemented through updates to operating procedures.	<b>Audit In Progress</b>

***FRAUD, WASTE AND ABUSE INVESTIGATIONS***

The Office of Internal Audit also manages suspected cases of fraud, waste and abuse reported by employees, vendors and citizens. Such cases may be reported in various ways to include: in-person, telephone, e-mail or the City’s Fraud Hotline. The City’s Fraud Hotline is operated by a third party and reports can be made anonymously either over the telephone or online.

For fiscal year 2022, there were 9 incidents reported of which 33% were reported through the Fraud Hotline. Table 1 summarizes the various types of allegations received.

<b>TABLE 1</b>	<b>%</b>	<b>%</b>	<b>100%</b>
<b>ALLEGATION TYPE</b>	<b>HOTLINE</b>	<b>NON-HOTLINE</b>	<b>TOTAL</b>
Accounting / Audit Irregularities	0	2	2
Conflicts of Interest	0	1	1
Customer Relations	1	0	1
Discrimination	1	0	1
Fraud	1	1	2
Kickbacks	0	1	1
Theft of Goods/Services	0	1	1
<b>TOTAL</b>	<b>3</b>	<b>6</b>	<b>9</b>

Allegations may be investigated by the Office of Internal Audit, referred to a City department (generally for lower risk issues), referred to a non-City agency (if relating to matters outside City jurisdiction or requiring external law enforcement), and/or deemed non-actionable. Non-actionable allegations result from insufficient or dated information, prior corrective action, immateriality or inappropriate use of the Hotline. If referred to a City department, the Office of Internal Audit generally requests the department to investigate, take appropriate action and communicate the results to the Office of Internal Audit within 30 days.

Resolved allegations are categorized as: Substantiated (allegation was validated); Substantiated – No Violation (conditions cited were accurate but did not constitute a violation); Unsubstantiated; Department Resolution; or Inconclusive (available evidence is not sufficient to determine the validity of the allegation).

Table 2 summarized assignments and dispositions for allegations reported and/or resolved during fiscal year 2022.

TABLE 2 DISPOSITION	ASSIGNMENT		
	REFER	INVESTIGATE	TOTAL
Department Resolution	0	1	1
Non-Actionable	0	4	4
Unsubstantiated	0	1	1
Open/Ongoing Allegations	0	0	0
Substantiated	0	2	2
Substantiated – No Violation	0	0	0
Inconclusive	1	0	1
<b>TOTAL</b>	<b>1</b>	<b>8</b>	<b>9</b>

The City’s Fraud, Waste and Abuse Policy is intended to enhance employee awareness and reporting of suspected fraud, waste and abuse. Allegations resolved during fiscal year 2022 resulted in the following:

- Improved procedures and/or management controls;
- Employee safety improvements;
- Enhanced awareness of and/or compliance with existing regulations and/or policies; and
- Situation appropriate personnel-related actions.

### ***LEADERSHIP AND OTHER ACCOMPLISHMENTS***

The Office of Internal Audit distributed and reviewed the annual conflict of interest questionnaires provided to the Mayor, City Council, City management and a random sample of City employees as required by the City’s Code of Ethics, Section 2-95(j) Conflict of Interest Questionnaire. As a response to the COVID-19 Pandemic, Internal Audit personnel provided training regarding fraud, waste and abuse through a recorded video in lieu of in person presentation. The video was presented to approximately 260 new employees during new employee orientation (NEO). This training has moved from bi-weekly to a monthly basis.

On a quarterly basis a Management Implementation Status Report was prepared and distributed to the Audit Committee members to help Committee members fulfill their responsibilities of oversight. Additionally, the Audit Committee members were presented a summary presentation from the City’s external auditors regarding the annual financial report.

Due to the COVID-19 Pandemic, Internal Audit’s training and career development for fiscal year 2022 included webinars offered through the ALGA (Association of Local Government Auditors), the IIA (Institute of Internal Auditors), the ACFE (Association of Certified Fraud Examiners), and Cherry Bekaert LLP. This training included specific training for local government auditors, ethics, fraud, and Governmental Accounting Standards updates. Internal Audit personnel are members of ALGA, the IIA and the ACFE.

### ***SUMMARY***

In summary, Internal Audit staff took on new endeavors and made a strong effort to complete as many audits and projects as possible during the past fiscal year. Internal Audit’s success this past fiscal year was made possible as a result of the support of the City Manager’s office, and the hard work of each of the department’s personnel. Over the past year the strengths and skills of Internal Audit personnel developed in a way that contributed to the success of the Office. Internal Audit strived to ensure the scope of each audit engagement added value to the organization and good customer service was provided.