

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.

Council Member Johnny Dawkins, Chair

ATTEST:

Jennifer Ayre, Deputy City Clerk