

**AUDIT COMMITTEE QUARTERLY MEETING MINUTES
WINSLOW CONFERENCE ROOM, 3rd FLOOR
CITY HALL, 433 HAY STREET, FAYETTEVILLE
THURSDAY, OCTOBER 27, 2022
3:00 P.M.**

Committee Members Present: Mayor Pro Tem Johnny Dawkins, Chair
Council Member D. J. Haire
Council Member Derrick Thompson (arrived at 3:02 P.M.)
Warren (Ron) O'Brien
Mfon Akpan

Council Members Present: Council Member Deno Hondros (arrived at 3:13 P.M.)

Staff Present: Adam Lindsay, Assistant City Manager
Jodi Phelps, Chief of Staff
Ms. Rose Rasmussen, Internal Audit Director
Christina Zimmerman, Internal Auditor
Ms. Amanda Mott, Financial Analyst
Jody Picarella, Chief Financial Officer
Karen McDonald, City Attorney
Lisa Harper Assistant City Attorney (arrived at 4:00 P.M.)
Willie Johnson, Assistant Chief Information Officer
Assistant Chief James Nolette, Fayetteville Police Department
Assistant Chief Kemberle Braden, Fayetteville Police Department
Chief Ronnie Willett, Fayetteville Fire Department
Daniel Edwards, Assistant Public Services Director
Christopher Cauley, Economic & Community Dev. Director
Paula Handberry, Executive Assistant to the City Council

1. Call to Order

Mayor Pro Tem Dawkins called the meeting to order at 3:00 PM

2. Approval of Agenda

MOTION: Council Member Haire moved to approve the agenda
SECOND: Mr. Ron O'Brien
VOTE: UNANIMOUS (5-0)

3. Approval of Minutes

MOTION: Mr. Ron O'Brien moved to approve minutes from the April 28, 2022 Meeting

SECOND: Mr. Mfon Akpan

VOTE: UNANIMOUS (5-0)

4. Discussion of Committee Officer Appointments

1. Chair:

Mayor Pro Tem Chair asked for suggestions for the Audit Committee Chair and Vice Chair.

MOTION: Mayor Pro Tem Dawkins nominated Mr. Ron O'Brien

SECOND: Council Member Thompson

VOTE: UNANIMOUS (5-0)

2. Vice-Chair:

MOTION: Mayor Pro Tem Dawkins nominated Mfon Akpan

SECOND: Council Member Thompson

VOTE: UNANIMOUS (5-0)

5. Management Report – Presented by Internal Audit Director

1. Quarterly Management Implementation Status Report

- Of the 10 completed audits on the CAP, 8 are ready for a follow-up from Internal Audit. Management has expressed that all recommendations have been fully implemented. One of which includes Police Department Payroll who have indicated that they implemented their last two recommendations.
- Four of the completed audits have recommendations that are not fully implemented:
 - Solid Waste Fees: The recommendations are pending an update to the City ordinance.
 - Wireless Communication Usage: The department stated they will not be implementing the recommendation on using the small asset management system in the City's new Oracle software. The remaining outstanding recommendations were contingent upon a requested position that was not approved. So the department will be creating guidelines for the other departments on device management.
 - Vector Fleet Contract: A fleet manager was hired the end of July. The fleet manager is working on establishing policies and procedures.

- Fire Kronos Implementation: The written policies and procedures will be finalized once the KRONOS, timekeeping system, upgrade has been implemented.

Discussion ensued.

Questions:

Mr. Ron O'Brien asked for clarity as to why a department was turned down after asking for additional staff. Ms. Willie Johnson, Assistant Chief Information Officer explained that the Information Technology Department requested additional staff to assist with the wireless communications and manage mobile devices. Ms. Willie Johnson stated the new initiative was not approved for FY 2023. Conversation ensued with Mr. Adam Lindsay, Assistant City Manager explaining the process.

This report is for informational purposes and no action needed.

6. Internal Audit Activities- presented by Internal Audit Staff
a. Police Department Confidential Funds Audit

Background

Administered and controlled cash fund used in covert operations
Budget was \$100,000 per fiscal year

Scope

Covered the period of July 1, 2021 through May 31, 2022
Sampled 6 (26%) of 23 personnel
Reviewed 85 transactions totaling \$24, 570

Results

Internal Audit Concludes

Confidential funds were administered in accordance with established procedures
Internal controls were satisfactory
No significant exceptions noted
Two of the outstanding audit recommendations from prior year audits have recommendations that were implemented by management

Questions

Mr. Ron O'Brien: How much is the actual budget? Assistant Chief Braden responded \$100,000. Mr. O'Brien stated he misstated the question. Assistant Chief James Nolette, Fayetteville Police Department responded the budget is \$25,000 quarterly and as the funds deplete, they will request additional funding. Discussion ensued.

MOTION: Council Member Haire moved to accept the Police Confidential Funds Audit
SECOND: Council Member Thompson
VOTE: UNANIMOUS (5-0)

b. Subrecipient Grant Monitoring Audit

Background

HUD oversees the Community Development Block Grant
Flexible use of funds within the following objectives:

- Benefit low and moderate income persons
- Prevent or eliminate slum blight; and
- Meet urgent needs that threaten health and safety

Partner with Nonprofit organizations (subrecipients)
City must provide reasonable assurance funds usage is compliant; and
Awarded CDBG funds totaling \$4,763,545

Scope

Covered the period of fiscal year 2020 to fiscal year 2022
Sampled 6 subrecipients

Council Member Haire asked for clarity on Subrecipient Grant Monitoring Audit. Ms. Rose Rasmussen, Internal Audit Director responded it's making sure the subrecipients are in compliance with requirements.

Questions:

Council Member Haire: How often is this audit performed? Ms. Rasmussen responded this is the first one. Discussion ensued

Observation 1:

Conditions

The statement of work included conflicting language and undefined costs;
The agreement templates did not contain all required information.

Cause & Effect

Templates were not changed when regulations were updated.
Subrecipients may be unaware of missing provisions

Recommendations

Update the templates to comply with requirements;
Annually review changes and update templates; and
Clearly define allowable costs
Management was in full agreement with recommendations.

Observation 2:

Conditions

Risk Assessment not used for monitoring;
Monitoring not provided for all subrecipients and all years; and
Checklist did not explain review process and results.

Cause & Effect

Staff needed training; and
Documentation was not saved in a common central location
Insufficient monitoring could result in audit findings.

Recommendations

Use risk assessments to create monitoring schedules
Create and implement monitoring procedures; and
Train.

Management partially concurs with the recommendations.

Observation 3:

Conditions

18 of 19 agreements executed after effective date; and
All Payments made after agreement execution.

Cause & Effect

No clear understanding of when agreements could be executed;
Subrecipients waited for payment.

Recommendations

Establish written procedures for agreement execution.

Management concurs with reservations.

MOTION: Council Member Haire moved to accept the Subrecipient Grant Monitoring Audit

SECOND: Council Member Thompson

VOTE: UNANIMOUS (5-0)

c. Current Projects

The Internal Audit are currently working on:

Assisting Finance with end of year close out and preparation for the external audit

Oracle Payroll System implementation - assisting with data validation, testing, attending meetings, and whatever else the team needs;

We are currently conducting a procurement card audit; and

Are updating our annual risk assessment. Once updated we will conduct the risk assessment and develop our annual audit work plan.

7. Adjournment

Mr. Ron O'Brien moved to adjourn meeting at 4:04 PM.

Mayor Pro Tem Johnny Dawkins, Chair

ATTEST:

Paula Handberry, Executive Assistant to the City Council