

**AUDIT COMMITTEE QUARTERLY MEETING MINUTES
SAINT AVOLD CONFERENCE ROOM, 3rd FLOOR
CITY HALL, 433 HAY STREET, FAYETTEVILLE
THURSDAY, JANUARY 26, 2023
3:00 P.M.**

Committee Members Present: Ron O'Brien, Chair
Mayor Pro Tem Johnny Dawkins
Council Member Derrick Thompson

Committee Members Absent: Council Member D. J. Haire
Mfon Akpan

Council Members Present: Council Member Deno
Hondros

Staff Present:

- Doug Hewett, City Manager
- Jeffrey Yates, Assistant City Manager
- Kelly Olivera, Assistant City Manager
- Jodi Phelps, Chief of Staff
- Rose Rasmussen, Internal Audit Director
- Christina Zimmerman, Internal Auditor
- Jody Picarella, Chief Financial Officer
- Karen McDonald, City Attorney
- Willie Johnson, Assistant Chief Information Officer
- Dwayne Campbell, Chief Information Officer
- Chief Ronnie Willett, Fayetteville Fire Department
- Daniel Edwards, Assistant Public Services Director
- Christopher Cauley, Economic & Community Dev. Director
- Taurus Freeman, Economic & Community Dev. Asst. Director
- Michelle Haire, Economic Development Administrator
- Paula Handberry, Executive Assistant to the City Council

1. Call to Order

Mr. Ron O'Brien called the meeting to order at 3:02 PM

2. Approval of Agenda

MOTION: Council Member Thompson moved to approve the agenda
SECOND: Mayor Pro Tem Dawkins
VOTE: UNANIMOUS (3-0)

3. Approval of Minutes

MOTION: Mayor Pro Tem Dawkins moved to approve the October 27, 2022 minutes.

SECOND: Council Member Thompson

VOTE: UNANIMOUS (3-0)

4. Management Report – Presented by Ms. Rose Rasmussen, Internal Audit Director

a. Quarterly Management Implementation Status Report

- Of the 11 completed audits on the Corrective Action Plan (CAP), six are ready for a follow up from Internal Audit. Management has expressed that all recommendations have been fully implemented.
- Five of the completed audits have recommendations that are not fully implemented:
 - Solid Waste Fees: The Solid Waste ordinance, with new service limits, was approved by Council on January 9, 2023. The revised fee schedule will be presented at the February general session.
 - Wireless Communication Usage: IT has created a draft guideline for the other departments on device management. The target release date for these guidelines is March 31, 2023.
 - Vector Fleet Contract: The department has only one outstanding recommendation for this audit. The fleet is currently holding meetings with individual departments on a bi-weekly basis and continues to work toward establishing the Fleet Maintenance Committee.
 - Fire Kronos Implementation: The written policies and procedures will be finalized once the KRONOS, timekeeping system, upgrade has been implemented.
 - Subrecipient Grant Monitoring- The department stated they implemented 4 of the 8 recommendations. For the remaining recommendations, the updated Subrecipient agreement template and new risk assessment will be implemented July 1, 2023. The expected completion date for the operating procedures manual is February 2023.

Questions:

Mayor Pro Tem Dawkins asked which Assistant City Manager was assigned to Vector/Fleet and will there be monthly team meetings. City Manager Doug Hewett responded Assistant City Manager Jeffrey Yates. Team meetings have not yet been established.

Discussion ensued.

Mayor Pro Tem Dawkins asked when will the Solid Waste recommendations take effect. Mr. Daniel Edwards Assistant Public Services Director responded the goal date is July 1, 2023.

Discussion ensued.

This report is for informational purposes and no action needed.

5. Internal Audit Activities- presented by Internal Audit Staff

a. Procurement Card Audit

Background

- The Finance Department administers the procurement card program.
- There are 244 active cards as of October 26, 2022
- There were 8,785 transactions totaling \$1,533,062.82 between July 1, 2021 to July 31, 2022

Scope

- A sample of 590 transactions totaling \$88,274,45 were reviewed for this audit.

Findings:

Condition

The City's Procurement Card Policy was not updated to reflect current business practices and include all controls needed.

Cause & Effect

Business practices were effected due to COVID which resulted in increased online shopping, remote work, increased turnover, and the implementation of Oracle.

There is potential fraud risk and lack of information to support purchases.

Recommendations

Updating the policy will assist on fraud risk from using personal online shopping accounts. It will provide guidance on information and documentation for business purpose to clearly support why the purchase was needed to conduct City business.

Questions

Council Member Thompson asked is it legal for city purchased items to be shipped to a personal residence. Ms. Rasmussen responded it's a fraud risk. Mrs. Karen McDonald City Attorney stated this practice is not consistent with policy.

Discussion ensued.

Mayor Pro Tem Dawkins recommended changing the policy to have items shipped to a city warehouse. Ms. Rasmussen responded the finding is to update the policy to implement these controls.

Discussion ensued.

MOTION: Council Member Thompson moved to accept the Procurement Card Audit

SECOND: Mr. Ron O'Brien

VOTE: UNANIMOUS (3-0)

b. FY2023 Audit Plan

There are three other factors that had significant impact on this audit plan: a vacant position; assistance provided to the Finance Department which has also been impacted by vacancies; and support in the implementation of the City's Oracle software.

The FY 2023 audit plan will be limited to include only one new audit which will be the annual Confidential Funds Audit, one follow-up audit and three consulting services.

Three projects from last fiscal year are being carried over to the audit plan this fiscal year. The completion of two of these audits is impacted by the Oracle implementation.

The Evidence and Property Management 2nd follow-up audit has started. The fiscal year will end with the annual Police Department Confidential Funds.

The annual conflict of interest review has been completed. The annual proxy card review is forthcoming. The consulting services are related to Oracle implementation and assisting the Finance Department.

Questions:

Mayor Pro Tem Dawkins asked is Oracle part of the ERP. Mr. Yates responded yes. Ms. Rasmussen stated the ERP is Enterprise Resource Planning that was rolled out in March 2022.

Council Member Thompson asked what are Confidential Funds. Ms. Rasmussen responded funds used by the police department to do sting operations.

Discussion ensued.

Mayor Pro Tem Dawkins asked how many staff shortages are there and how does this compare to previous years. Ms. Rasmussen responded staff is short by one. Mayor Pro Tem recommended finding someone to fill the vacant position. Mr. Hewett stated staff is exploring the option of contracting an accounting firm.

Discussion ensued.

Mr. Ron O'Brien stated there has to be an understanding of the cumulative effect of not performing an audit year after year. There cannot be an adequate audit without adequate staff. There has to be a sense of urgency in getting the position filled.

Council Member Thompson stated it's paramount to proceed cautiously and work in the best interest of the City.

Discussion ensued.

MOTION: Council Member Thompson moved to accept FY2023 Audit Plan

SECOND: Mayor Pro Tem Dawkins
VOTE: UNANIMOUS (3-0)

7. Adjournment

Mr. Ron O'Brien moved to adjourn meeting at 3:53 PM.

Mr. Ron O'Brien, Chair

ATTEST:

Paula Handberry, Executive Assistant to the City Council