



Office of Internal Audit

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

October 24, 2024 @3:00 pm

1st Floor – Lafayette Room

433 Hay Street, Fayetteville, NC 28301



**Audit Committee Meeting
October 24, 2024 @ 3:00 pm**

AGENDA

1. Call to Order
2. Approval of Agenda
3. Introduction of New Audit Committee Member
4. Approval of Meeting Minutes
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 Kronos Implementation Follow-up Audit (A2022-02F)

Attachments:

- a. Draft Audit Committee Meeting Minutes – August 22, 2024
- b. Police Kronos Implementation Follow-up Audit Report (A2022-02F)

**FAYETTEVILLE AUDIT COMMITTEE MEETING MINUTES
LAFAYETTE CONFERENCE ROOM
CITY HALL, 433 HAY STREET
AUGUST 22, 2024
3:00 P.M.**

Committee Members Present: D.J. Haire, Council Member, Chair (via Teams)
Dr. Mfon Akpan, Vice Chair
Derrick Thompson, Council Member
Deno Hondros, Council Member

Staff Present: Lachelle Pulliam, City Attorney
Adam Lindsay, Assistant City Manager
Jeffery Yates, Assistant City Manager
Rose Rasmussen, Internal Audit Director
Christina Zimmerman, Senior Internal Auditor
Eleanor Myers, Internal Auditor
Daniel Edwards, Public Services Assistant Director
Todd Joyce, Assistant Police Chief
Lee Hicks, Police Major, Chief of Staff
Paula Handberry, Executive Assistant to the City Council

1. CALL TO ORDER

Council Member Haire called the meeting to order at 3:00 p.m. Council Member Thompson provided the invocation.

2. APPROVAL OF THE AGENDA

MOTION: Council Member Thompson moved to approve the agenda.
SECOND: Dr. Mfon Akpan
VOTE: UNANIMOUS (4-0)

**3. APPROVAL OF MEETING MINUTES
May 13, 2024 and May 15, 2024**

MOTION: Dr. Mfon Akpan moved to approve the May 13, 2024 and May 15, 2024 meeting minutes.
SECOND: Council Member Thompson
VOTE: UNANIMOUS (4-0)

4. MANAGEMENT REPORTS

A. Quarterly Management Implementation Status Report

The Residential Solid Waste Fees audit has one outstanding recommendation. Departmental policies and procedures need to be created for this audit. The policies and procedures should establish how Fleetmind data integrity will be maintained. The department is scheduled to have a meeting with the City Manager's Office to determine if there were changes due to the age of the audit. Depending on the outcome

of the September meeting, the department anticipates having the policies and procedures completed by December 31, 2024.

5. INTERNAL AUDIT ACTIVITIES

A. Fire Kronos Implementation Funds Audit

The original audit was presented in January 2022 with four agreed upon recommendations. As of June 2024, all recommendations were fully implemented.

The scope of this audit was to determine if the four recommendations were implemented. Internal Audit found all recommendations were fully implemented. The recommendations were implemented by establishing written policies and procedures, designating and training a backup Personnel Technician to process payroll, and implementing a quality review process for their payroll.

MOTION: Council Member Thompson moved to accept the Fire Kronos Implementation Funds Audit.

SECOND: Dr. Mfon Akpan

VOTE: UNANIMOUS (4-0)

B. Police Department Confidential Funds Audit

The Police Department's Vice Investigations Division administered and controlled cash fund used in covert operations with a budget of \$100,000.00 per fiscal year. The audit covered the period of June 1, 2023 to May 31, 2024. The sample included a review of the transactions for 4 personnel of 20 who utilized and maintained confidential funds during the audit scope. Internal Audit reviewed 49 operational transactions totaling \$31,733.52. The funds were administered in accordance with established procedures; internal controls were in place; and there were no significant exceptions noted.

MOTION: Council Member Thompson moved to accept the Police Department Confidential Funds Audit.

SECOND: Dr. Mfon Akpan

VOTE: UNANIMOUS (4-0)

C. Fiscal Year 2025 Audit Plan

Ms. Rose Rasmussen, Internal Audit Director presented the proposed audit plan for fiscal year ending June 30, 2025. The hours in the audit plan include hours for continued support to peer departments by assisting with the implementation of the City's Oracle HUB project and the new Point of Sale system. Hours for this support are subject to change based on the needs of the project which will impact other projects.

There are five new audits on this year's audit plan, one follow up audit, two required annual reviews, and three consulting services.

The new audit projects include the annual Police Department Confidential Funds audit, CMO Construction Management, Grants, Fleet Management, and Economic and Community Development Loans.

Council Member Haire asked is the Economic & Community Development Loans audit the repayment from the citizens. Ms. Rasmussen responded yes.

Council Member Thompson asked if the Neighborly software is creating a problem for the Economic and Community Development Department. Ms. Rasmussen responded staff is looking at how the software is working.

The follow up audit projects include Kronos Implementation for the Police Department.

The required annual reviews include a review of Proximity Cards to determine if only people who need access to city buildings and resources have access, and Conflict of Interest as required by the City's Code of Ethics.

The consulting services include two projects related to the implementation of Oracle HUB. Internal Audit will review User Access to ensure individuals have access for needed tasks. Internal Audit will continue assisting Human Capital Management and Payroll implementation.

The City is implementing a new cashiering software, iNovah which will replace the City's current cashiering system.

Council Member Haire inquired about the implementation stages of the new software and the effects it would have on the state audit. Mr. Jeffrey Yates, Assistant City Manager responded the software is functioning as it should and the audit is scheduled to be submitted before October 31, 2024.

This year's audit plan includes a contingency audit projects section. Internal Audit has encountered difficulties completing audits on the audit plan due to operational changes within the auditee department, due to staffing turnover. Internal Audit is proposing to include contingency projects that the Audit Committee will preapprove on the audit plan.

Council Member Thompson asked how do contingency audit projects come up. Ms. Rasmussen responded an annual risk assessment is done yearly to determine the highest risk. Discussion ensued.

Council Member Thompson asked how does the City check the safety guideline, or standard operating procedures for departments when there is a tragedy. Mr. Yates responded there is a review process for any vehicle accident. The Safety Officer and Risk Management will review situation and make recommendations on corrections. Discussion ensued.

MOTION: Council Member Thompson moved to accept the Fiscal Year 2025 Audit Plan.
SECOND: Dr. Mfon Akpan
VOTE: UNANIMOUS (4-0)

6. ADJOURNMENT

There being no further business the meeting adjourned at 3:33 p.m.

D.J. Haire, Committee Chair

Paula Handberry, Executive Assistant to the City Council



October 24, 2024

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.

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

Respectfully,
Rose Rasmussen, CIA, CFE
Internal Audit Director

Office of Internal Audit
Quarterly Management Implementation Status Report
Fiscal Year 2024-2025 (1st Quarter)

Recommendations							
Audit Title	Date Released	Issued	Accepted	Not Started	In Progress	Implemented	Overdue
Residential Solid Waste Fees A2019-04	October 2019	5	5	0	0	4	1

**Office of Internal Audit
Quarterly Management Implementation Status Report
Fiscal Year 2024-2025 (1st Quarter)**

A2019-04 Residential Solid Waste Fees

Not Started	In Progress	Implemented	Overdue	Total
0	0	4	1	5

RECOMMENDATION 2.3	Develop comprehensive written policies and procedures to maintain Fleetmind data integrity, once the processes are established.
MANAGEMENT RESPONSE	<p>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 influence of the Solid Waste Division as well as what can be accomplished within Council appropriated budgetary limits.</p> <p>Responsible Party: Public Services Director Implementation Date: June 30, 2022</p>
STATUS AS OF August 22, 2024	Overdue: Solid Waste will draft policies and procedures to maintain data integrity for the onboarding system by the end of the second quarter (December 31, 2024). A meeting with the City Manager on August 15, 2024, is scheduled to discuss Fleetmind, Cityworks, a new onboarding system, etc. After the meeting, Solid Waste will proceed according to the direction provided by the City Manager.
STATUS AS OF October 24, 2024	Solid Waste will draft policies and procedures to maintain data integrity for the onboarding system by the end of the second quarter (December 31, 2024).



POLICE KRONOS IMPLEMENTATION FOLLOW-UP (A2022-02F)

ISSUED OCTOBER 2024

Office of Internal Audit

Internal Audit Director
Rose Rasmussen, CIA, CFE

Senior Internal Auditor
Christina Zimmerman, CFE

Internal Auditor
Eleanor Myers

OUR MISSION

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

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ORIGINAL REPORT HIGHLIGHTS

Police Kronos Implementation (A2022-02)

Original Report Issued: January 2024

Objective: To determine if payroll processes and associated internal controls were adequate to ensure Police Department personnel were paid accurately.

Scope:

- Included Police Department payroll records for six regular pay periods and three Fair Labor Standards Act (FLSA) processing periods occurring from January to July 2023;
- Included a mix of 55 exempt, non-exempt, sworn, and non-sworn staff members; and
- Included a review of the total leave types and hours worked but did not include manual calculation to verify amounts paid to employees.

Background

- Kronos, an electronic timekeeping system, was implemented for the Police Department in 2020.
- Prior to the Police Department Kronos implementation, employees' hours worked and leave taken were entered manually into JD Edwards, the City's financial system, from paper timecards.

Highlights:

- The implementation of Kronos brought about significant change in the payroll process including moving from a cumbersome paper timekeeping process to an electronic process requiring less manual manipulation.
- Written payroll procedures which reflected current processes were not in place.
- The City of Fayetteville Employee Relations Policy/Procedure Manual and the Human Resource Development Benefits Manual required employees to use accrued discretionary time off in a designated cascade order.

Figure 1: Required Time Off Cascade Order



- Supervisors were not using the 'Time Off' pay code when entering or updating time off on behalf of employees. This caused the cascade order for use of leave time to be circumvented.

CONCLUSION

Based on the audit work performed, the Office of Internal Audit concluded employees were paid the correct number of hours worked. However, an opportunity exists within the Police Department for the establishment of standard operating policies and procedures regarding the processing of payroll.

WHY THIS MATTERS

Without written payroll policies, institutional knowledge could be lost over time and the risk of payroll inconsistencies and errors increases.

Police Kronos Implementation Follow-Up (A2022-02F)



The Office of Internal Audit has completed follow-up on the Police Kronos Implementation Performance Audit approved by the Audit Committee on January 25, 2024.

Objective and Scope

Determine whether management implemented corrective actions to the audit recommendations reported by the Office of Internal Audit.

The scope of the follow-up audit was limited to the findings and accepted recommendations in the original audit of Police Kronos Implementation. This included a review of departmental policies and procedures.

Background

The original audit report, dated January 25, 2024, had two agreed upon recommendations. The audit provided management with recommendations to establish written operating procedures to include:

1. Procedures for the Personnel Technician position to include specific direction on the processing of payroll within the Kronos system. The procedures were to contain detailed instructions to enable an alternate employee to perform the payroll processes.
2. The proper way for supervisors to enter and update leave in the Kronos system on behalf of the employees to allow the system to apply the correct cascade order.

Summary Results

2 recommendations were agreed upon in January of 2024

Testing included an evaluation of the agreed upon recommendations to determine if corrective actions were implemented as reported. The Department implemented two recommendations by:

- Establishing written policies and procedures for the Personnel Technician position; and
- Providing direction on the proper way for supervisors to enter and update leave in the Kronos system.

The Office of Internal Audit has concluded the Police Kronos Implementation Follow-up Audit and expresses appreciation for the assistance provided by Department staff.



**FULLY
IMPLEMENTED**

2



**PARTIALLY
IMPLEMENTED**

0



**NOT
IMPLEMENTED**

0

Finding 1 –Discretionary time off did not always follow the cascade order required by City policy.

Recommendation 1.1	The Police Department management should establish written operating procedures for the Personnel Technician position to include specific directions on the processing of payroll within the Kronos system. The procedures should contain detailed instructions to enable an alternate employee to perform payroll processes.
CURRENT OBSERVATION	The Department established a manual for the Personnel Technician position which included specific direction for the processing of payroll within the Kronos system.
DETERMINED STATUS	IMPLEMENTED
Recommendation 1.2	The Police Department management should establish written operating procedures to detail the proper way for supervisors to enter and update leave in the Kronos system on behalf of the employees to allow the system to apply the correct cascade order.
CURRENT OBSERVATION	The Department provided a PowerPoint which contained detailed instructions surrounding operations in the Kronos system. One slide specifically addressed the proper way for supervisors to enter and update leave in the Kronos system on behalf of employees.
DETERMINED STATUS	IMPLEMENTED