

MINUTES

Audit Committee of Roanoke City Council

Location: Council Conference Room
Noel C. Taylor Municipal Building, Room 451 South

Date: September 7, 2011

Time: 4:04 p.m. to 4:54 p.m.

Attendees: Sherman Lea, Audit Committee Chair
David Trinkle Audit Committee Member
David Bowers, Audit Committee Member
Court Rosen, Audit Committee Member
Drew Harmon, Municipal Auditor
Dawn Hope Mullins, Assistant Municipal Auditor
Pam Mosdell, Information Systems Auditor
Debbie Noble, Senior Auditor
Ann Clark, Senior Auditor
Octavian Reeves, Senior Auditor
Ann Shawver, Director of Finance
Chris Morrill, City Manager
Sherman Stovall, Assistant City Manager
Stephanie Moon, City Clerk

Call to Order:

Mr. Lea called the meeting to order at 4:04 pm. All members were present.

City Council Expenditures Review:

The results of the review were positive and overall spending was well below the expenditure budget for the year. Mr. Harmon noted that Council approved revisions to the Travel and Expenditure policy on September 6th and asked if the Committee had any suggestions for future reviews of Council expenditures.

The Committee agreed that the report was favorable and had no suggestions or questions.

The report was received and filed without objection.

Sheriff's Canteen & Auxiliary Funds Audit:

This audit is required by the General Assembly and the scope was based on specifications from the Virginia Auditor of Public Accounts. A separate audit of the Sheriff's internal controls is also required to be performed by an independent audit firm and is currently in progress.

Canteen net revenues totaled \$212,000 and expenditures \$197,000. Other fees collected from inmates totaled \$140,000. Based on the results of the audit, expenditures were for the benefit of the inmates or used to offset the operating expenses of the jail, as required by law.

The committee discussed the balances reported. Mr. Lea noted that it was a good report and that it appeared inmate funds were being properly administered.

The report was received and filed without objection.

Audit Committee Annual Report:

The Committee reviewed the report and offered no corrections or changes. Mr. Lea commended members for regularly attending meetings and actively participating in discussions.

The report was approved without objection and will be filed with the City Council.

FY12 Audit Plan:

The Committee discussed the proposed audit plan, as follows:

- *Fleet Parts:* Discussed turnkey parts management services at Fleet and competition in this market space. The audit will evaluate contract compliance and verify payments are in accordance with the markups and profit margins specified in the contract.
- *Real Estate Billings & Collections:* Discussed the processes that have been developed for using the Manatron system. Overall, the system seems to be functioning adequately and this audit will evaluate the design of processes for using the system. The audit will include looking at transfers of property and building permits.
- *Civic Center Management Contract:* Discussed the operational aspects of the management contract, including assets, event accounting, and cash handling. Noted that the financial statements are audited annually by an independent audit firm. This would be the first audit of the contract by Municipal Auditing. The contract began in January 2009 and will expire December 2013. Preliminary objectives of the audit will be

to verify the basic elements of controls required by the contract, such as records, reports and inventories, are in place. Future audits might look at event accounting, cash handling, and asset management.

- *Risk Management:* The preliminary scope of the audit will be insurance for buildings and equipment, including flood insurance. The audit will not address self insurance programs for health, auto liability, and workers compensation. Discussed the newly renovated Market Building that is now managed by a Foundation under a long term lease. The Foundation is responsible for insuring the Market Building. The audit would verify that changes in the City's property portfolio have been addressed in the City's insurance program. Deductibles were also discussed in terms of appropriate risk and cost considerations. Deductibles will be reviewed as part of the audit.
- *Social Services Risk Assessment:* The goal of this project will be to identify and understand all programs administered by the Department of Social Services. The final report is expected to provide a comprehensive overview of the City's social services programs and the risks associated with each program.
- *School Division Audits:* The school audit plan is pending approval by the School Board. The Committee discussed the history of auditing in the School Division and the access Auditing has to Division financial records. The Auditing department was directed by Council resolution in 2001 to annually audit the records of the School Division. The Committee asked about the School Division's working relationship with the City's Constitutional offices. The Constitutional offices have worked cooperatively with the Division in the past. Banking and accounting protocols have been in accordance with State and local laws. Banking issues are currently being discussed that bear watching.
- *GRTC Audits:* Discussed the furniture and credit card issues identified two years ago. The U.S. Attorney's Office has not yet prosecuted those involved and there has been no information communicated on the status of the case. Auditing will review the status of the furniture and credit card issues this year. Payroll processing has also been selected for audit based on its significance to the overall budget.
- *Financial Condition Report:* The report will be developed by Municipal Auditing and will be based on data from other published sources, such as the City's Comprehensive Annual Financial Report. It is intended to consolidate financial, economic, and demographic data into a reader friendly presentation of trends affecting the City's financial condition. If successful, the report will be proposed as an annual or bi-annual project.

The Committee asked if the issues related to the Flood Reduction Project had been resolved with the Corp of Engineers. Mr. Stovall and Mr. Morrill responded that the issues had been resolved and that the project would be officially closed in the near future.

There being no further questions or suggestions from the Committee; the plan was received and filed without objection.

Schedule for future Committee Meetings:

- Committee agreed to schedule a meeting for 1:00 PM on December 19, 2011, for KPMG to present their opinion on the June 30, 2011 CAFR.
- Committee agreed to continue quarterly meetings on the first Wednesday of September, December, March, and June at 4:00 PM.

Other Business:

- Committee asked about progress in addressing issues in the CSA program. Mr. Morrill responded that the Department of Social Services recently received a favorable quality review from the State and that they are preparing to update the Harmony software used to administer CSA.

Adjournment:

There being no other business for the Committee, the meeting was adjourned at 4:54 PM.

Drew Harmon, CPA, CIA
Municipal Auditor
Audit Committee Secretary