MINUTES OF ROANOKE CITY COUNCIL AUDIT COMMITTEE
June 16, 2010

1. CALL TO ORDER:

The meeting of the Audit Committee of Roanoke City Council was called to order in the City Council conference room of the Noel C. Taylor Municipal Building at 4:00 p.m. with Chairman, Sherman P. Lea, presiding.

Audit Committee Members Present: Sherman P. Lea, Chair
Court G. Rosen
Dr. David B. Trinkle

Audit Committee Members Absent: None

Others Present: Drew Harmon, Municipal Auditor
William Hackworth, City Attorney
Ann Shawver, Director of Finance
Chris Morrill, City Manager
James Grigsby, Asst. City Manager/Operations
R. Timothy Conner, Partner, KPMG LLP
Octavia Johnson, Roanoke City Sheriff
David Bell, Major Deputy Sheriff
Mark Jamison, Manager of Transportation
Dwayne Dardenne, Streets – Maintenance Superintendent
Dawn Hope Mullins, Assistant Municipal Auditor
Pam Mosdell, Information Systems Auditor
Debbie Noble, Senior Auditor
Ann Clark, Senior Auditor
Doris England, Administrative Assistant

2. APPROVAL OF MINUTES FROM MARCH 3, 2010, MEETING

The minutes were approved without amendment.

3. INTERNAL AUDIT REPORTS

A. Clerk of the Circuit Court

No findings were noted by Municipal Auditing. Mr. Harmon advised committee members that the full audit report prepared by the Virginia Auditor of Public Accounts is available on the Commonwealth's website.

B. Police Cash Funds

Mr. Harmon stated that the report covered 18 months and that no audit findings were noted.

C. Investigation Sheriff's Office – Canteen Funds

Mr. Harmon reported the scope of the audit included purchases of small assets and prescription medications. He highlighted concerns related to the medication records maintained by Prison Health Services, a contracted provider of medical services in the Jail. Based on the records available, expensive medications were not adequately accounted for and were in some cases given to persons not named on the prescription, which is in violation of federal law. The medications involved were prescribed as HIV treatments and were non-narcotic. Mr. Harmon noted the audit focused on purchases of HIV medications with Canteen funds. Procedures for administering and securing narcotics were not evaluated.

The committee discussed the specific circumstances involved and noted their concerns about compliance, liability, prisoner well being, and the absence of controls.

Sheriff Johnson stated that her staff immediately met with Prison Health Services when the issues were brought to her attention and Prison Health Services has implemented new procedures to address them. She also noted that her department is currently negotiating with another contractor to provide prisoner care services.

The committee asked that the Auditing department revisit these issues at that appropriate time to ensure they have been addressed.

D. Transportation – Street Paving

Mr. Harmon discussed that the audit included evaluating Transportation processes that ensure paving contractors provided the quality and quantity of pavement contractually specified and invoiced. He reported that the processes appeared sound and no findings were noted for this aspect of the audit.

Audit observations related to the inventory of paved streets maintained by Transportation and the preventive maintenance program were discussed by the committee. The committee expressed concerns about the increase in pavement costs over the last three years. Transportation management responded that paving costs were affected by oil prices and that current pricing has improved.

The committee asked if the streets noted as missing from the State inventory have been reported to the State. Mr. Harmon responded that Transportation planned

to assess the streets in question by October and to report their findings to the State at that time.

The Committee discussed the potential for utilizing geographic information systems to manage the street inventory. The city has an asset management system that is GIS based and is used by the Parks and Recreation division, and Building Maintenance division. Funding is not currently available to inventory streets, sidewalks, and other assets which would be necessary to implement the system in Transportation.

The committee discussed the potential of preventive maintenance to extend the life of streets and correspondingly reduce the lane mile paving goal, as well as the benefits realized from the changes in policy related to utility cut repairs and the need to continue the current policy. The committee also heard about the Transportation division's investment in infrared equipment that eliminates seams around manholes and pot hole repairs; thereby, protecting pavement from water damage.

Chairman Lea ordered that items A through D be received and filed. There were no objections.

4. UNFINISHED BUSINESS

A. Receive and File – KPMG Reports, Year Ended June 30, 2009

The committee discussed the reasons behind the delays in FY2009 financial reporting. The implementation of a new financial system at the school division was noted as a significant contributor to the delays. Ms. Shawver expressed her concern that controls were not given adequate emphasis by school management. The committee asked if the schools were aware of Ms. Shawver's concerns, to which she replied that they were aware. Ms. Shawver noted that she and Mr. Harmon had met with school management to review internal control issues that had arisen from the audit.

Mr. Harmon commented that in addition to a new system, the schools had significant changes in their staff, organizational structure, and chart of accounts. He noted the involvement of the School Audit Committee in monitoring issues with the new financial system and financial reporting processes. He also discussed a recent audit of the payroll system which was completed with favorable results. The audit is available on Municipal Auditing's webpage.

The committee asked if the school's new audit firm, Brown, Edwards & Company, will follow up on the concerns noted in the 2009 audit. Mr. Harmon noted the firm will follow up on the 2009 findings, as required by auditing standards.

Chairman Lea suggested that Mr. Harmon provide the new members of City Council, Mr. Bestpitch and Mr. Farris, with background about the 2009 audit when he has a chance to meet with them.

Chairman Lea ordered that item A be received and filed. There were no objections.

5. NEW BUSINESS

A. KPMG – Audit Plan for Year Ended June 30, 2010

Mr. Conner briefed the committee on the 2010 audit plan. It was noted that federal grants received by the School division will no longer be included in the City's Schedule of Expenditures of Federal Awards. School grants will be audited by the School Division's new audit firm and included in the School Division's financial report.

Mr. Rosen commented that the committee has received a number of audits related to the Sheriff's Office. Mr. Harmon explained that the Auditor of Public Accounts requires that Sheriff's internal controls, both overall and related specifically to the Canteen Fund, be audited annually.

Mr. Harmon asked Mr. Conner to describe the scope of his firm's audit procedures covering activities of constitutional officers. Mr. Conner stated that he would be glad to provide an outline to committee members at a later date. The committee discussed possible issues with audit coverage related to constitutional offices.

Chairman Lea ordered that item A be received and filed. There were no objections.

6. ADJOURNMENT

There being no further business, the meeting was adjourned at 5:15 p.m.

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Sherman P. Lea, Chair