

# **MINUTES**

## **Audit Committee of Roanoke City Council**

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

**Date:** September 3, 2014

**Time:** 4:01 p.m. to 4:45 p.m.

**Attendees:** Ray Ferris, Audit Committee Chair  
Court Rosen, Audit Committee Member  
Anita Price, Audit Committee Member  
Drew Harmon, Municipal Auditor  
Dawn Hope Mullins, Assistant Municipal Auditor  
Wayne Parker, Senior Auditor  
Dan Callaghan, City Attorney  
Chris Morrill, City Manager  
Barbara Dameron, Director of Finance  
Sherman Stovall, Assistant City Manager – Operations

### **1. Call to Order:**

Mr. Ferris called the meeting to order at 4:01 p.m. and welcomed everyone to the meeting.

### **2. City Council Expenditures:**

Mr. Harmon confirmed that Council Members complied with the City Council's Travel and Expense policy and that expenditures were appropriately classified and in accordance with the adopted budget. He briefed the Committee on the larger purchases in the Expendable Equipment, Dues and Memberships, and Special Events categories [Exhibit 2]. The Committee discussed the basis of various expenditures, noting no specific concerns. The largest single expenditure was the City's membership in the National League of Cities which cost \$7,816.

The Committee considered the current provisions in the Travel and Expense policy and had no changes to recommend. Members felt the policy was well designed and effective.

The report was received and filed without objection.

### **3. Sheriff Internal Controls/Canteen**

Mr. Harmon discussed the circumstances that lead to having two separate reports for the Sheriff's Office. The audit specifications from the Auditor of Public Accounts changed in 2007, requiring a separate report on the effectiveness of internal controls in the Sheriff's Office. The City contracted for an examination of internal controls while continuing to perform the required steps related to the Canteen and Auxiliary funds internally. Mr. Harmon anticipates consolidating the internal controls procedures with the canteen and auxiliary funds procedures when the next contract for the annual COMPREHENSIVE ANNUAL FINANCIAL REPORT audit is signed in 2015.

Mr. Harmon pointed out that there were no audit findings in either Brown Edward's report or Municipal Auditing's report and that the Sheriff had implemented Brown Edward's suggestions from the prior year.

The report was received and filed without objection.

#### **4. Annual Report:**

The Committee had no questions about the annual report. Mr. Harmon briefed the Committee on the activity in the Municipal Auditing department.

- Training and development 5%
- Investigations 8%
- Consultations 11%
- Leave Time 14% [FMLA]
- Administrative 15%
- Audits 47%

#### **Staff Turnover:**

- Information Systems Auditor position vacant since the end of February
- Auditor position vacant since mid-May

#### **School Audit Services:**

- 1,849 direct audit hours provided
- 16% of total department hours
- Functions looked at included procurement, landscaping, facility work orders, and textbooks

Mr. Rosen asked about financial support from the School Division for audit services. Mr. Harmon responded that the audits are required by ordinance and that the Division pays 125% of the midpoint salary for a Senior Auditor, approximately \$66,000 in fiscal year 2014.

Mr. Ferris asked Mr. Harmon to share some comments about the Division's Destiny system that is used to track fixed assets, library books and textbooks. The system was adopted in 2008 and utilizes barcodes affixed to each asset or book as a means of tracking. The system has been well received by Division staff and made the task of managing inventories much easier.

Ms. Price asked if the Destiny system would be used to manage the computers being considered for eighth graders. Mr. Harmon responded that the computers would likely be barcoded and tracked using the Destiny system.

Mr. Harmon briefed the Committee on plans for the current fiscal year, including updating the strategic plan for Auditing, converting to international auditing standards, and completing the initial risk assessments for the City, School Division, and Valley Metro. The audit emphasis for the foreseeable future will be focused on the tax and treasury functions.

The Auditing department is currently working with the Director of Finance, the City Treasurer, and Commissioner of Revenue to review tax and treasury roles and responsibilities. The tax and treasury functions are complex and expansive and will need to be looked at in phases. Everyone involved is anxious to work through the phases as promptly as possible.

Mr. Ferris asked about the timeline for completing the project. Ms. Dameron noted that the group still needs to set goals and milestones. She expressed her hope that written policies and procedures would be one of the outcomes of the project. Mr. Harmon noted that a memorandum of understanding would

be developed so that roles, responsibilities, and expectations would be documented and clearly communicated.

Mr. Rosen asked if anyone from the City Manager's office is involved in the project. While not directly involved at this point, Mr. Morrill commented that LEAN six sigma processes could be helpful as issues are identified. Mr. Harmon noted that the Department of Technology and Department of Management and Budget will be consulted during the project. Mr. Rosen commented that it might be helpful to have the City Manager's office involved in the project, as his availability allows.

The report was received and filed without objection.

## **5. Hotline Update**

Mr. Harmon noted there were only two reports during the last quarter; both related to the same issues. He discussed the requirement that managers ensure hourly employees do not work in excess of 40 hours without being paid overtime. In order to ensure compliance with the requirement, management must have a process in place to track the hours worked by each hourly employee.

Mr. Rosen commented that it was good to see the number of reports had dropped from 19 in calendar year 2013 to six (6) reports so far in 2014. He recalled that the Committee had anticipated the number of reports would decrease over time as issues were addressed.

The update was received and filed without objection.

## **6. Other Business**

Mr. Harmon briefed the Committee on changes to specification 3.7 issued by the Auditor of Public Accounts at the end of June. The changes require an independent accountant's report opining on management's assertion that the census data submitted to the Virginia Retirement System is complete and reasonably free from material misstatements. The Committee reviewed the sample report from the Auditor of Public Accounts.

Mr. Harmon noted that KPMG has not yet quoted the fees for the work and is working with the APA on an acceptable program to satisfy the requirements. The opinion is due to the Auditor of Public Accounts by October 1.

Mr. Harmon briefed the Committee on plans to request proposals for auditing the City's Comprehensive Annual Financial Report for 2015. The request for proposals is expected to be issued in December, proposals reviewed in January and a contract signed no later than April 1.

Finally, Mr. Harmon reminded members of the Committee that the next meeting will be December 3<sup>rd</sup> at 4:00 pm. A second Audit Committee meeting will be scheduled for December 15<sup>th</sup> at 1:00 pm to discuss the results of KPMG's audit of the June 30, 2014 Comprehensive Annual Financial Report.

## **7. Adjournment:**

Mr. Ferris adjourned the meeting at 4:45 p.m.