

MINUTES OF THE AUDIT COMMITTEE OF ROANOKE CITY COUNCIL

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

Date: March 7, 2012

Time: 4:03 p.m. to 4:41 p.m.

Attendees: Sherman Lea, Audit Committee Chair
Court Rosen, Audit Committee Member
Mayor David Bowers, Ex-Officio Member of the Audit Committee
Drew Harmon, Municipal Auditor
Ann Shawver, Director of Finance
Tim Spencer, Acting City Attorney
Chris Morrill, City Manager
Sherman Stovall, Assistant City Manager – Operations
Dawn Hope Mullins, Assistant Municipal Auditor
Pam Mosdell, Information Systems Auditor
Debbie Noble, Senior Auditor
Ann Clark, Senior Auditor
Octavian Reeves, Senior Auditor

1. Call to Order

Mr. Lea called the meeting to order at 4:03 pm.

2. Purchasing Cards

Mr. Harmon briefly reviewed trend information contained in the report and noted that Purchasing Card expenditures have declined since 2007. Purchases appeared reasonable, had supporting receipts, and were properly coded. Mr. Harmon commended the Department of Finance and the Purchasing Division for their effectiveness in administering the program.

Mr. Lea was very pleased with the results of the audit. Mr. Morrill commented that the audit adds a lot of value and peace of mind.

The report was received and filed without objection.

3. Audit Findings Follow-Up

Mr. Harmon briefed the Committee on the changes to the process for audit findings follow-up. The Auditing department has historically reviewed open audit findings from all departments at one time and issued one report. In order to review open findings in a more timely manner, Auditing has begun following up with individual departments throughout the year. This also provides more flexible scheduling for Auditing and the departments involved. A memo will be issued with the results of each follow-up. The Audit Committee will receive follow-up memos at each quarterly meeting, as applicable.

Follow-up Audits Discussed:

Fire/EMS Cell Phones – The original concern related to payments of cell phone stipends to Fire/EMS employees. The City Administration has developed a policy providing for cell phone stipends that addresses the concerns noted in the original audit.

Street Lighting – The original concern was that the City had no inventory of street lights that could be used to verify the monthly charges for street lights billed by AEP. The planned solution was to have an inventory of street lights and other street infrastructure developed by a private company using a van equipped with cameras and GPS. The inventory would then be loaded into the City's asset management system, DataStream, and then maintained as lights were added and dropped. Issues with configuration of the DataStream system and ongoing budgetary challenges have contributed to this issue remaining open since 2005. Transportation is just beginning to utilize DataStream for curbs and sidewalks. There are currently no funds for additional licenses or to have an inventory developed.

The Mayor asked why the finding was being cleared by Auditing. Mr. Harmon responded that given the length of time the finding has been opened and the expectation that funding will not be available in the next fiscal year, he felt it was time to close the finding. Auditing will continue to monitor DataStream development through the department's participation on the Information Technology Committee [ITC]. Mr. Harmon stated that the finding could remain open if the Audit Committee preferred. The Committee concurred with clearing the finding.

Code Enforcement – Mr. Harmon stated that Code Enforcement has done an outstanding job responding to their audit findings. He discussed their policies and procedures, their efforts to educate neighborhood leaders and property owners about the code enforcement process, and the collaboration between Code Enforcement and Real Estate Valuation to monitor the condition of houses throughout the City. He noted that the most recent citizen survey indicated significant improvement in the public's satisfaction with Code Enforcement activities.

Mr. Rosen noted that common complaints he hears at neighborhood meetings are now with the properties and not with Code Enforcement. Neighborhood groups now appear to feel like there is a partnership with Code Enforcement staff.

Roanoke River Flood Reduction – Auditing worked with the City’s Engineering Division and the U.S. Army Corps of Engineers to help reconcile the two agencies’ accounting for the flood reduction project. The capital project is nearing completion, at which time a final accounting will be required. Auditing may provide additional assistance as the project winds down and the finding will remain open until the final accounting is approved.

Facilities Management – The original finding identified the need to improve the work order system and document building maintenance procedures. As discussed earlier, the DataStream asset management system has been implemented in response to this finding. Configuring the system so that data entry is manageable and reporting is useful has been an ongoing challenge. The most recent effort to configure the system has been completed and is expected to resolve past issues. Since a comprehensive audit of building maintenance has not been performed since 2003, Auditing has cleared the finding and plans to perform a complete audit within one to two years.

Sheriff Canteen – The original audit findings were primarily related to small assets and prescription medications. The Sheriff changed medical care providers and implemented new procedures which addressed the audit issues. All three [3] follow-up items were closed.

The Committee had no further questions. The memos were received and filed without objection.

4. Police Cash Funds

This is an annual audit conducted in support of the Police Department’s accreditation requirements. Based on the requirements, the audit scope was limited to cash funds managed directly by the Police Department, including federal forfeiture funds. Municipal Auditing staff found that police cash procedures were sound and cash-on-hand was accounted for. There were no audit findings.

Mr. Rosen commented that it probably cost more than the funds under review to do the audit. Mr. Harmon responded that Auditing and the Police Department worked to reduce the scope of the audit some years ago to address only those items required by accreditation standards. Mr. Harmon noted that the property room is one area that was taken out of the scope of the annual audit but which will be audited on a cycle basis. There are substantial volumes of drugs and assets that come into the property room for safekeeping. .

The report was received and filed without objection.

5. Jail Cost Report

Mr. Harmon briefly discussed the background of the annual Jail Cost Report and the role of Municipal Auditing in reviewing Item 63. There were no issues with the 2011 review.

Mr. Lea asked whether the jail has been accredited. Mr. Spencer replied that they are currently going through the re-accreditation process.

The report was received and filed without objection.

6. Hotline Rollout

Ms. Mullins briefed the Committee about the Fraud, Waste and Abuse Hotline awareness campaign. Presentations have been made to elected and appointed officials, as well as to the leadership team. Future presentations are planned for new employees, departments, the City's Leadership College.

Additional efforts to publicize the hotline will include:

- Informational flyers will be posted in all departments
- Brochures with answers to Frequently Asked Questions will be available in all departments
- Articles will be included in the newsletters for city employees and citizens
- Information will be included in Purchasing invitations to bid and requests for proposal
- Information will be included on the vendor self-service webpage

Auditing will periodically brief the Audit Committee on hotline activity and will ensure every report to the hotline is fairly and consistently addressed.

Mr. Lea thanked Ms. Mullins for the presentation and her work on the hotline. He discussed the importance of educating people about the appropriate use of hotlines so that legitimate concerns can receive the attention they deserve. Mr. Lea believes the hotline is a good thing to have in place and noted that it is a best practice.

Mr. Harmon noted that a communication protocol has been established for the hotline. Issues that are found to have no basis and require no formal investigation will only be communicated in the summary report on hotline activity given to the Audit Committee. Issues that have enough substance to require formal investigation will be communicated to the Audit Committee Chair, City Manager, Director of Finance, and Officer/ Manager whose area is involved, unless implicated.

The Committee then discussed the potential for strengthening the investigation powers of the Auditing department. By Charter, City Council can authorize the Municipal Auditor to investigate city affairs. This would provide the Municipal Auditor with the power to subpoena witnesses,

administer oaths, and compel the production of records. Mr. Harmon stated that he recently sent a memo to Mr. Spencer proposing the idea and asking for his guidance.

Mr. Spencer confirmed that the Charter does provide for investigations and indicated that it would be appropriate to consider for this purpose. He would be in favor of providing the appropriate tools to do the job.

Mr. Lea stated that he had discussed the concept with Mr. Harmon earlier and that he supports developing recommendations for the Committee to consider.

Mr. Rosen asked for more specifics about the authority that would be granted. Mr. Harmon responded that it would enable him to compel people to talk with him and to produce records. Mr. Rosen expressed a desire to make sure the authority granted is not excessive or potentially open to abuses by the Auditor. Mr. Spencer stated that appropriate checks and balances could be developed.

Mr. Rosen asked about the safeguards to avoid revealing an employee's identity by virtue of the information in the report and Auditing's line of questioning or inquiry. What is in place to protect employees from retribution by their bosses?

Mr. Spencer commented that the City Attorney's office is currently working with Human Resources staff to develop an anti-retaliation policy to protect employees.

Mr. Harmon stated that he anticipates bringing other audit initiatives to the Audit Committee over the next several months. Auditing is revising its procedures based on international auditing standards, which include certain organizational issues such as ethics policies and risk assessments. Ethics and compliance policies support a more effective hotline.

Mr. Lea stated it was important that the City work through these issues.

There were no additional questions or comments.

7. Other Business

There was no other business.

8. Adjournment

Mr. Lea adjourned the meeting at 4:41 pm.