

MINUTES OF ROANOKE CITY COUNCIL AUDIT COMMITTEE

January 2, 2007

1. CALL TO ORDER:

The meeting of the Audit Committee of Roanoke City Council was called to order in the City Council Conference Room at 1:09 p.m. with Vice-Chair, David B. Trinkle, presiding.

- **The roll was called by Mrs. England**

Audit Committee

Members Present: David B. Trinkle, Vice-Chair
Mayor C. Nelson Harris
Alfred T. Dowe, Jr.
Beverly T. Fitzpatrick, Jr.
Gwendolyn W. Mason

Audit Committee

Members Absent: Sherman P. Lea, Chair
Brian J. Wishneff

Others Present:

Drew Harmon, Municipal Auditor
William M. Hackworth, City Attorney
Jesse A. Hall, Director of Finance
James Grigsby, Asst. City Manager for Operations
Brian Townsend, Acting Asst. City Manager for Community Development
Ann Shawver, Deputy Director of Finance
Dawn Hope, Accounting Supervisor
R. Timothy Conner, Partner, KPMG LLP
Robert Churchman, Senior Manager, KPMG LLP
Melinda Mayo, Public Information Officer
Faye Tardy, Assistant to the City Manager
Pamela Mosdell, Information Systems Auditor
Cheryl Ramsey, Senior Auditor
Brian Quam, Senior Auditor
Doris England, Administrative Assistant

2. APPROVAL OF MINUTES FROM NOVEMBER 6, 2006, MEETING

Vice-Chair Trinkle asked if there were any corrections or amendments to the minutes of the November 6, 2006, Audit Committee meeting. There were none. Mayor Nelson moved and Mr. Dowe seconded that the minutes be approved as distributed. A vote was taken and the motion carried. The minutes will be placed on the Consent Agenda for the next City Council meeting.

3. FINANCIAL KPMG AUDIT REPORTS – JUNE 30, 2006:

- A. Report to the Audit Committee of City Council
- B. Comprehensive Annual Financial Report and Auditor's Opinion
- C. Management Letter
 - Management Response
- D. Examination Report on the Schedule of Communication Service Taxes and Fees
- E. Report on Applying Agreed-upon Procedures for Enhanced E-911 Service Taxes

Vice-Chair Trinkle recognized Mr. Harmon for comments. Mr. Harmon briefly showed each of the reports to committee members to help familiarize them with the audit reports. He then asked Mr. Conner of KPMG to address the committee. Mr. Conner reviewed the following reports included in the city's Comprehensive Annual Financial Report or CAFR.

- Independent Auditors' Report – KPMG issued an unqualified opinion.
- Report on Internal Control Over Financial Reporting, Compliance and Other Matters – Mr. Conner stated this was a clean report.
- Report on Compliance with Requirements Applicable to Major Programs in Accordance with OMB Circular A-133 – This report deals with a carry-over item from last year regarding the schools for time certification of time spent working on federal programs. This item is referred to as a material weakness with regard to internal control over compliance.
- Report on Compliance with Virginia Laws, Regulations, Contracts and Grant Agreements – KPMG had no findings to report.
- Schedule of Findings and Questioned Costs – This report includes a repeat comment from last year dealing with time certifications.
- Management Response – Mr. Conner stated that KPMG was satisfied with the Management Response.

Mr. Conner continued his comments on the following reports:

- Report to the Audit Committee of City Council
- Examination Report on the Schedule of Communication Service Taxes and Fees
- Report on Applying Agreed-upon Procedures for Enhanced E-911 Service Taxes
- Agreed-upon Procedures Report for the Commonwealth – a comparative report transmittal form for agreed-upon procedures.

Mr. Conner asked Mr. Churchman to address the Audit Committee members on the Management Letter. Mr. Churchman stated the Management Letter was a tool by which KPMG could let the City of Roanoke know of three upcoming pronouncements that effect governments. The largest is GASB Statement No. 45, which is the requirement for governments to record liabilities on their books that are not currently there for post employment benefits other than pensions (OPEB). This will be required in the fiscal year ending June 30, 2008,

financial statements. The second pronouncement is GASB Statement No. 47, Accounting for Termination Benefits. Mr. Churchman stated this could occur if the City had a material termination/reduction in its work force. The last GASB Statement is No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. Mr. Churchman stated he is not aware of any of his clients in Virginia who are contemplating selling/pledging their receivables, but it could be underway in other states. GASB No. 48 will provide the guidance and consistency for accounting and reporting requirements.

Mr. Fitzpatrick asked if GASB Statement No. 45 could affect the City's bond rating. Mr. Churchman replied that the bond rating agencies have not indicated anything definitive, but he is hearing that they will take it into account and view it for comparability purposes. Mr. Hall stated the City does have a reasonable liability in this area, and it is not overfunded. He said the rating agencies are looking at how governments develop a plan to deal with this liability, whether it is funded or reduced in some way. Mr. Hall stated he would be briefing City Council on this issue at its first meeting in February.

Mr. Harmon asked Ann Shawver to address the committee regarding the City's response to the Management Letter. Ms. Shawver stated the City was aware of the upcoming GASB Statements and their impact upon the next fiscal year. She reiterated that GASB Statement No. 45 would have the biggest impact, and Finance would be briefing City Council next month and seeking Council's direction on some alternative choices. The GASB 48 Statement on the pledges or sales of receivables is not expected to impact the City. Finance will examine that further in the future. Ms. Shawver stated the final comment in the Management Letter concerns Single Audit Findings. There was a repeat finding pertaining to the sign-off of hours worked by employees at the Schools on federal programs funded by grants. Ms. Shawver stated she felt the response from the Schools should be adequate and that they would all be working together to ensure that fiscal year 2007 does not include a repeat of this finding.

Ms. Shawver distributed an Overview of the Comprehensive Annual Financial Report and reviewed the following:

- Letter of Transmittal
- Management's Discussion and Analysis
- Financial Statements on pages 37 - 39 of the CAFR; these give a global view of the organization; revealed growth in total net assets of approximately \$14 million
- Fund Financial Statements, beginning on page 40 of the CAFR
- Footnotes, beginning on page 53 of the CAFR
- Required Supplementary Information
- Statistical Section, beginning on page 111 of the CAFR
- Compliance Section

Vice-Chair Trinkle ordered items A through E be received and filed. There were no objections to the order.

Vice-Chair Trinkle asked Mr. Harmon if he would like to make any comments. Mr. Harmon expressed his gratitude to those in the Department of Finance for their hard work in the preparation of the CAFR.

4. INTERNAL AUDIT REPORTS:

- A. Audit Findings Follow Up
- B. Police Department Cash Funds

Vice-Chair Trinkle recognized Mr. Harmon for comments on the audits. Mr. Harmon stated that findings from audits are placed in a database, and these are pulled up each year to determine what is due to be implemented. Departments are checked to determine what they have done and to verify it is working. Mr. Harmon stated this was a relatively good year and many findings had been cleared. Those findings that are left outstanding, which will be checked on next year, are waiting on system implementations. The outstanding findings will be reported on next year.

Mr. Harmon stated the Police Department Cash Funds audit is done annually and is required by accreditation. The cash funds are examined as well as the property in the Police Property Room. There were no findings in the audit. Mr. Harmon state that false alarm fees were pulled out of this audit and will be done separately.

Vice-Chair Trinkle asked if there were any further questions regarding the internal audits. There were none. Vice-Chair Trinkle ordered items A and B to be received and filed. There were no objections to the order.

5. UNFINISHED BUSINESS:

There was no unfinished business to come before the committee.

6. NEW BUSINESS:

Vice-Chair Trinkle asked if there was any new business. Mr. Hall replied that he was prepared to give the committee members a review of the City's Pension CAFR, but he realized there was not enough time. He stated he would be glad to give that review at some time in the future. Vice-Chair Trinkle stated it would be put on the schedule for a future meeting.

7. ADJOURNMENT:

There being no further business, the meeting was adjourned at 2:00 p.m.



David B. Trinkle, Vice-Chair