

AUDIT SERVICES OVERSIGHT COMMITTEE
Monday, October 25, 2021
Virtual Meeting via Zoom 3:30 P.M.

The Audit Services Oversight Committee met at the above date and time with the following members present: Chair-Nick Long and Vice Chair-Shanell Frazer, Resident Member Matthew Ruterbories, Mayor Steve Schewel and Mayor Pro Tempore Jillian Johnson.

Also present: Wanda S. Page, City Manager, Bo Ferguson, Deputy City Manager; Bertha T. Johnson, Deputy City Manager, Joe Clark, Director, Fleet Management Department, John Ferguson, Assistant Director, Fleet Management, Don Greeley, Director, Department of Water Management, Vicki Westbrook, Assistant Director, Department of Water Management, Heidi Hackett, Business Services Manager, Department of Water Management, Dave Hickman, Assistant Director, Finance Department, Emily Desiderio, Interim Director, Finance Department, Christine Collum, Financial Reporting Manager, Finance Department, Christina Riordan, Interim Assistant Director, Budget and Management Services Department, Dr. Germaine F. Brewington, Director, Audit Services Department, Audit Services Department Staff and Cherry Bekaert auditors (April Adams and Olivia Moody).

The Chair, Nick Long, called the meeting to order at 3:30 p.m.

SUBJECT: APPROVAL OF MINUTES – SEPTEMBER 27, 2021

Motion was made and it was properly seconded to approve the minutes of the September 27, 2021 Audit Services Oversight Committee meeting.

The motion passed unanimously.

SUBJECT: ADJUSTMENTS TO AGENDA

There were no adjustments to the agenda.

SUBJECT: SUMMARY OF FY2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT BY CHERRY BEKAERT STAFF

The external auditors presented a preliminary summary of the financial position of the City. Overall the auditor, April Adams, Partner with Cherry Bekaert, LLP stated that the City has good controls and that she expected that the four opinions would be unmodified or clean. The auditors had more work to do around the testing of the Transit Grant expenditures and equity shares. Ms. Adams stated that the statutory deadline for submission was October 31st and they expected to have the City's report filed with the Local Government Commission (LGC) by the middle of the next week at the latest.

Questions:

Member Ruterbories asked about the issue of significant deficiencies around cutoff, why the severity of the evaluation is deemed significant and what caused this. He also asked with regard to

the equity shares potential finding, will they be required to notify the Committee members if the finding is an internal control issue; or will the result be something less than what has been reported?

Ms. Adams stated that the significant deficiency issue was related to the three misstatements; two pertained to accounts payable transactions and the third pertained to the recording of a deferral. The regulations per Ms. Adams require that the CARES Act funds be recorded as a deferral and it was just recorded incorrectly. The list provided to them in time for them to select their major program for the Single Audit was not complete. In their evaluation they assess how likely, if all of the controls failed, would it be that the list they received would not be complete. That part of the risk assessment was clear because a major program was left off of the list. The next part of the evaluation is how material would it be to the financial statements as a whole if this occurred. They have in their professional judgment, that this issue did not rise to the level of a material weakness.

With regard to the equity shares, this was simply a situation of methodology. They had to as of the ASOC meeting date, still obtain documentation on the method of procurement used to purchase in this case a mobile command unit in DPD.

SUBJECT: FISCAL YEAR 2021 INVENTORY PERFORMANCE AUDIT OCTOBER 2021

Dr. Brewington, Director of the Audit Services Department gave a PowerPoint presentation. She stated that this audit report was important because it brings independent oversight to the value of a permanent balance sheet account. This audit was performed to ensure the City has accurate financial data for the inventory on hand at year-end, specifically in the Departments of Water Management and Fleet Management.

Dr. Brewington discussed the objectives of the audit: 1) to determine if the inventory value recorded on the City's general ledger was fairly stated as of June 30, 2021; and, 2) to evaluate the adequacy of internal controls over the inventory counts performed by each department or division.

Overall, inventory was fairly stated as of June 30, 2021 for the Department of Water Management and the Fleet Management Department. The value of inventory on the balance sheet was adjusted to reflect the value per the counts performed by the departments/divisions. The Audit Services staff verified the counts with no exceptions, therefore concluding that the inventory value recorded on the balance sheet was fairly stated. No exceptions to any counts were noted in the Departments of Fleet Management and Water Management.

No Recommendations were proposed.

Dr. Brewington reviewed the 1Q 22 quarterly activity for the Audit Recommendation Follow-up Report and the Fraud, Waste and Abuse Report. Dr. Brewington stated that at the end of the first quarter there were 23 recommendations and two were closed this quarter. She stated that the long standing recommendation from 2017 would be removed from the list because the processes in

place within the Department of Water Management to ensure the accuracy of the value of the inventory was operational.

Dr. Brewington stated that there were ten fraud, waste and abuse cases received in the first quarter; and, six of the ten cases were investigated by the staff. Two of the six cases were substantiated.

Dr. Brewington informed the Committee that Marcus would be updating the Department's dashboard with regard to this activity and the staff hope to review that dashboard at the January meeting. Dr. Brewington also showed the Committee members a flyer developed by staff. This flyer is a product of the Training Division that has a mission to be proactive in educating employees on the expectations of management around our ethical behavior. Dr. Brewington stated that a report on the accomplishments of the Department will be sent to them by the end of the calendar year to summarize the work of the staff for FY21; but she wanted to show them how the three divisions work together to add value to the organization.

Questions/Comments:

Questions by ASOC members:

Member Ruterbories: How are employees or persons in general able to report unethical behavior? Dr. Brewington stated there are three ways: the Tip hotline which is the phone line in Dredlin Rodriguez' office, the anonymous URL which can be accessed on the Audit Services Department internet site, or persons can walk into the office because someone is in the office five days a week.

OTHER BUSINESS

Dr. Brewington asked the Committee to approve the Calendar year 2022 ASOC Meeting schedule. Vice-Chair Frazer made the motion to approve the schedule. Mayor Pro Tem Johnson seconded the motion.

Mayor Pro Tem confirmed that the meetings this year (2021) for November and December had also been cancelled. Dr. Brewington stated that they had been. Member Ruterbories asked if the meetings in the second half of the year, beginning in August, would be back in City Hall. Dr. Brewington stated that at this time, that was a place holder. She stated that it will be nice to meet in person but until approval is received from the Mayor's office the meetings would continue to be virtual.

Mayor Schewel said his good-byes. Mayor Schewel stated that he had been on the Audit Services Committee for over a decade and he felt that the work of the Department was very valuable. He said it was a good meeting to go out on because not only was the inventory fairly stated but that there were no findings and no exceptions to the counts in the Departments of Fleet Management and Water Management.

Chairman Long thanked Mayor Schewel for his service and stated that he enjoyed working with him.

Dr. Brewington thanked Mayor Schewel for his support over the last decade and she stated the staff would miss him.

Dr. Brewington concluded her presentation and turned the meeting over to Chairman Long.

Chairman Nick Long adjourned the meeting at 4:22 p.m.

Respectfully submitted,

Dr. Germaine F. Brewington