

**AUDIT SERVICES OVERSIGHT COMMITTEE**  
**Monday, January 23, 2023**  
**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: Chairman Nick Long, Vice-Chair Matthew Ruterbories, Resident Member Emily Yeatts, Mayor Elaine O’Neal, and Council Member Jillian Johnson.

Also present: Wanda S. Page, City Manager; Bertha T. Johnson, Deputy City Manager of Operations; Keith Caldwell, Deputy City Manager of Community Building; Sean Egan, Director, Department of Transportation; Thomas Leathers, Parking Manager, Department of Transportation; Tim Flora, Director, Finance Department; Christine Collum, Assistant Director, Finance Department; Christina Riordan, Assistant Director, Budget & Management Services Department; Phyllis Russell, Budget Manager, Budget & Management Services Department; Dr. Germaine F. Brewington, Director, Audit Services Department; the Audit Services Department Staff; and other guests.

Chairman Nick Long called the meeting to order at 3:30 p.m.

Chairman Long welcomed everyone to the first audit meeting of 2023.

**SUBJECT: ADJUSTMENTS TO AGENDA**

There were no adjustments to the agenda.

**SUBJECT: APPROVAL OF MINUTES – October 24, 2022**

**Motion** was made and it was properly seconded to approve the minutes of the October 24, 2022, Audit Services Oversight Committee meeting.

The motion passed unanimously.

**SUBJECT: On-Street, Off-Street Parking Performance Audit**

Dr. Germaine Brewington, Director of the Audit Services Department gave a presentation on the On-Street, Off-Street Parking Performance Audit. Beginning in January 2019, the Transportation Department staff took over the management responsibilities of the City’s parking facilities which were previously managed by a third-party administrator. She discussed the objectives of the audit due to this change of operations: 1) verify if adequate controls existed over cash receipts for on-street parking; and 2) verify if adequate controls existed over cash receipts for off-street parking. The data from periods FY 2020 to FY 2023 as of January 2023 were analyzed.

Though the Transportation Department has put several effective controls in place, Dr. Brewington summarized findings regarding the need for improvement. First, the audit found that reconciliations are not being performed on a regular basis. Second, collections efforts for

outstanding parking citations and monthly permit balances are not sufficient to maximize revenue collections. Third, overages and shortages are not tracked and monitored. These findings led to 5 recommendations.

**Recommendation 1 (Management Concurred)**

The Transportation Department should establish guidelines that require collections to be performed monthly at a minimum, of revenue recognized per the AIMs and all other systems, to the revenue reported in MUNIS. In addition, staff should ensure that any significant differences identified as a result of the reconciliation are investigated and the results of the reconciliation are reviewed by the Transportation Department management.

**Value added:** Risk Reduction

**Recommendation 2 (Management Concurred)**

The Finance Department staff should work with the Transportation Department staff to reconcile revenues reported to MUNIS to the bank; and the reconciliation should be performed monthly at a minimum. The reconciliation should include credit card payments as well. In addition, Finance Department staff should ensure that any significant differences identified as a result of the reconciliation are investigated and the results of the reconciliation are reviewed by Finance Department management.

**Value added:** Risk Reduction

**Recommendation 3 (Management Concurred)**

The Finance Department staff should take the following actions in collaboration with the Transportation Department to improve the collections process:

- Staff should examine the feasibility of using a collections agency to collect the outstanding balances on citation and monthly permit holders.
- Staff should develop a policy outlining the collections process, including write-offs for outstanding citations as well as parking permit balances. The policy should outline the parties / positions responsible for performing the write-off function and approving the write-offs.

**Value added:** Risk Reduction

**Recommendation 4 (Management Concurred)**

The Transportation Department staff should develop a robust monitoring process to ensure all receivables and collection efforts are performed regularly. In addition, reports of outstanding balances should be shared with the Finance Department staff for review on an agreed upon time frame.

**Value added:** Risk Reduction

**Recommendation 5 (Management Concurred)**

The Transportation Department staff should track and monitor overages and shortages. Any overages / shortages above an established threshold should be reviewed by Transportation Department management.

**Value added:** Risk Reduction

## **Questions/Comments:**

### Questions by ASOC members:

- Vice-Chair Matthew Ruterbories asked if background could be given about the 2019 decision to transition from a third-party managed parking function to bringing that in-house. What were some of the drivers why the City made that decision?
  - Parking Manager Thomas Leathers informed the Committee that the Transportation Department, with approval from the City Manager, decided to make this transition after an analysis from the Transportation and Finance Departments concerning the cost of outsourcing the parking operations at that time. There was also a recommendation from an outside consulting agency, Nelson/Nygaard, who then analyzed the feasibility of in-sourcing the operations. This also came at the conclusion of the downtown parking study which had 31 community engagement sessions that allowed the public to weigh in on a third-party managing parking. The decision to move parking operations in-house also allowed the City to leverage more control over parking functions and reporting structures.
  
- Vice-Chair Ruterbories asked, when thinking about recording revenue from collecting monthly parking fees and violations, if the Finance Department has done an analysis of whether the City's practice is in accordance with Generally Accepted Accounting Principles (GAAP). If so, is it simply determined to be immaterial or is the violations piece so uncollectable that booking it would result in more write-offs than usual? He asked how this fits into the broader revenue recognition process at the City and whether it's been analyzed for appropriateness.
  - Director Tim Flora commented that they also asked this question when they reviewed the audit findings about why the Finance Department is not recording the uncollected revenue internally in the Finance Department. They are currently looking into that question. Uncollectability does factor into this question. It is hard to track. The Finance Department's concern is that even if a receivable is uncollectable, they should still be carrying it over into the financial statements. They ultimately did determine that the outstanding balance was immaterial to the financial reporting. Nonetheless, Director Flora has asked his team to reevaluate how that process works because he thinks when we are not tracking the uncollected revenue, they lose sight of it. He suspects that this process will be changing as they move forward.
  
- Resident Member Emily Yeatts asked about the percentage of unpaid violations and how it compares to other similar municipalities.

- Dr. Brewington answered that staff did not benchmark with other cities for this audit, but if that is something that the committee would like to know, the work can be done.
- Resident Member Yeatts followed up on this point by asking if the unpaid amount is considerable enough when thinking about pursuing a collections agency. She wondered what the cost-benefit of working with a collections agency would be. What would the financial benefit and return to the City be considering that the City would need to contract with that collections agency? What would the impact be for people that have violations as it might impact credit scores and have other negative consequences that should be weighed? What opportunities is the City giving people to make these citations right?
  - Dr. Brewington answered the question regarding the negative impact to residents downtown. The Transportation Department does not take this lightly. The resident is given a citation, and then, three more notices of the citations go out. The citation letter is sent to the person registered to the vehicle at the address registered at the Department of Motor Vehicles. The Transportation Department gives persons conducting business downtown a lot of opportunities to pay outstanding tickets, and the Transportation Department boots the vehicle before they take the next step. Dr. Brewington added that collecting on the unpaid violations is first the law; but also, the collected revenue could be used for the benefit of taxpayers (e.g., in the form of garage repairs, etc.).
  - Parking Manager Leathers further highlighted that effective July 1, 2022, the Transportation Department implemented a parking payment plan for people who had outstanding tickets to take some of the burden off residents.
  - Director Flora added that this specific collections agency would be part of an overall request for proposal (RFP) that the Finance Department has for collections, but it can also be a separate piece. As the Finance Department develops policy, it will also do its due diligence to discover how the City stands with peer municipalities and to be consistent with the City's philosophy. He clarified that a lot of the uncollectable amounts occurred due to COVID-19 as businesses shut down; thus, people were not parking in City lots. He does not suspect that the City will be going after those types of situations. The Finance Department needs to analyze why some amounts are uncollectable.

Dr. Brewington thanked the committee for their robust discussion of the On-Street, Off-Street Performance Audit.

**SUBJECT: 2<sup>nd</sup> Quarter of Fiscal Year (FY) 2023 -Audit Recommendations Status Update**

Dr. Brewington highlighted that there were several recommendations that were implemented and closed this quarter. One of the longstanding recommendations that has been open for a couple of

years was in the Fuel Usage audit. Fleet Management worked with the Communications Department to develop a training video to help educate employees about how they should safely refuel City vehicles and not engage in behavior like putting gasoline in gas cans, etc. This informative video has just been completed and it's really good and comprehensive. Hopefully next quarter, Fleet Management staff will come back to the Committee and showcase the completion of this recommendation and video. The video outlines the safety protocols for all staff filling up vehicles at any City gas depot. Most of the departments have been intentional about prioritizing work to complete their recommendations.

The one audit that has the most recommendations outstanding (4) is the Participatory Budgeting (PB) Audit. The audit was presented to the committee in September. Budget and Management Services staff are working to implement those recommendations through PB cycle 3 that is currently underway.

### **Questions/Comments:**

Questions by ASOC members:

- Council Member Jillian Johnson asked about the Fire Department recommendations that were closed without being implemented because the funding requests for those were not approved and the funding was required for implementation. Member Johnson stated that the funding needed to acquire the resources to implement the recommendations was still a priority per the Fire Department and these budget requests were being resubmitted for FY 2024. While each department has many priorities, Member Johnson asked where those specific budget requests were in the pipeline for the Fire Department? Could this funding potentially happen this year? She also wondered how much of a priority these items are to the Fire Department especially in light of the City's risk management strategy.
  - City Manager Wanda Page explained that often with the recommendations, the departments respond that they need new resources or reprioritization of resources. The expectation is that if there is a high priority or critical need within a department that is not able to fit within a previous budget, the department will carry it over into the next year as well as look for ways to reprioritize the resources that they have. She knows that the Fire Department had a robust list of new initiatives in the FY24 budget process.
  - Vice-Chair Ruterbories added that closing this recommendation without implementation represents a unique set of circumstances. He stated that the Audit Department has done what was needed in this circumstance to raise the issue and highlight and bring it to the attention to those who can make that decision. From his perspective, it was time for it to be closed and taken off.
  - Dr. Brewington discussed how Audit Services does think about the recommendations that they make because they know they cannot spend another department's budget. Audit Services is careful about recommending more staff or more equipment because it puts the department in a difficult situation. However,

in the case of the Fire Department, the lack of the equipment has resulted in a bottleneck on improvements. The Fire Department has many priorities, and they are the experts in determining the need for equipment in their priorities. The departments must be the ones to reprioritize their resources to implement the recommendations they commit to.

**SUBJECT: 2<sup>nd</sup> Quarter of Fiscal Year (FY) 2023 -Fraud, Waste, and Abuse Update**

Dr. Brewington stated that there were 6 cases received in the department during 2 QFY23. Two (2) cases were classified as fraud, and four (4) cases were classified as unethical behavior. Three (3) cases were investigated, and of those 3, two (2) cases were substantiated, and one was not.

There were no questions or comments regarding this subject.

**SUBJECT: Presentation of the Peer Review Report**

Dr. Brewington presented the 2022 Peer Review Report. She stated that the Audit Services Department received a clean opinion.

**OTHER BUSINESS**

Dr. Brewington introduced the newest member to the Audit Services Department- Alisha Neblett Thompson. Alisha is the new Trainer / Instructional Designer. She has a Master of Arts degree in Educational Innovation, Technology and Entrepreneurship; and she has hit the ground running.

The next meeting will be February 27, 2023.

Chairman Long thanked the Audit Services team for their work and congratulated Audit Services for their successful peer review.

Chairman Long adjourned the meeting at 4:11pm.

Respectfully submitted,

Alisha Neblett Thompson