

City of Greenville
Audit Committee Meeting Minutes
Monday, November 9, 2015
City Hall, Room 337
3:00pm-4:00pm
Attendees:

- | | | |
|--|---|---|
| <input type="checkbox"/> Allen Thomas, <i>Mayor (Chair)</i> | <input checked="" type="checkbox"/> Rose Glover, <i>Council Member (V. Chair)</i> | <input checked="" type="checkbox"/> Rick Smiley, <i>Council Member (Secretary)</i> |
| <input checked="" type="checkbox"/> Barbara Lipscomb, <i>City Manager</i> | <input checked="" type="checkbox"/> Michael Cowin, <i>Assistant City Manager</i> | <input checked="" type="checkbox"/> Bernita Demery, <i>Director of Financial Services</i> |
| <input checked="" type="checkbox"/> Kimberly Branch, <i>Financial Services Manager</i> | <input checked="" type="checkbox"/> Alisha McNeil, <i>Internal Auditor</i> | <input checked="" type="checkbox"/> Michelle Thompson, <i>Cherry Bekaert Auditor</i> |
| | | <input checked="" type="checkbox"/> Carlene Kamradt, <i>Cherry Bekaert Auditor</i> |
-

1. Introductions

The meeting was opened with a motion made by Council Member Rose Glover, Council Member Rick Smiley seconded the motion.

2. Review of February 11, 2015 Audit Committee Meeting Minutes

The motion was made to approve the minutes, without exception, by Council Member Rick Smiley; Council Member Rose Glover seconded the motion.

3. Audit Addendum

This item was opened for discussion by Bernita Demery, Director of Financial Services. Mrs. Demery introduced the addendum and addressed the additional fees that had been assessed by the City's financial auditor, Cherry Bekaert. The audit addendum amount totaled \$22,000 in addition to the originally contracted amount of \$63,000. This addendum amount included the required base amount of \$15,000 and \$7,000 for financial statement preparation. Cherry Bekaert representative, Michelle Thompson, entered this portion of the discussion to reiterate the fees associated with the addendum and to also add that there was a little more difficulty completing the FY 2015 audit than expected.

Council Member Smiley raised concern in reference to this addendum amount and added that "it's a pretty big overrun". Mrs. Demery added that the auditors may have underestimated the amount of work it took. Previously, the City and GUC had a separate manager for both audits. Council Member Smiley questioned whether or not the City underestimated as well. Council Member Glover brought up the point that it is not unusual for a new auditor to underestimate and it's not a fault, when it is realized that more people are needed to complete an audit. Assistant City Manager, Michael Cowin, moved the discussion to question how the fixed assets are being managed. Michelle Thompson stated that the system was not calculating depreciation properly by fund. Also, Ms. Thompson added that maintenance was rigorous. Mrs. Demery then went on to say that this process of managing fixed assets is too much for one position to handle, in addition to managing grants. Mr. Cowin added that it is important that the City have one person to oversee grant management. Kimberly Branch added that the City has been in discussion with Cherry Bekaert since the errors were detected from the legacy system. Council Member Smiley inquired as to why this issue resulted in more work for Cherry Bekaert. Mrs. Demery stated that the ERP system has a report module the City is hoping to use and a separate individual will be requested to manage these separately.

Michelle brought up two points that related to the audit resulting in a fee increase. The first one was that Cherry Bekaert did not anticipate work being significantly more than expected before the audit began. Secondly, that there were certain expectation gaps that existed. Mr. Cowin also mentioned that to catch numbers up of incorrect calculations, it would have taken staff time and then auditor's time as well. Therefore, to save time, Cherry Bekaert worked on it over the originally anticipated time. Ms. Thompson went on to say that City management stayed overtime and worked weekends, even though audit staff had left the field.

Ms. Thompson stated that in relation to the depreciation expense, the current system will not reconcile depreciation. Council Member Smiley then inquired about the legacy issue and Ms. Thompson stated that Cherry Bekaert is only passing along half of the cost. The motion to approve the addendum was given by Council Member Smiley and Council Member Glover seconded the motion. The addendum was unanimously approved. Ms. Lipscomb asked if this would have to go through the budget amendment process. Mrs. Demery responded that the Financial Services department has enough money in the budget to cover the discussed increase in the current year but would require additional appropriations for next year.

4. Results of Audit – Cherry Bekaert

Michelle Thompson opened this portion of the discussion by highlighting the new pension accounting standard resulting in entries for all local governments. Ms. Thompson provided a walkthrough of the new standard and how it impacted the City's financials as illustrated in Exhibit A. Also, Ms. Thompson noted that the net pension asset restricted is new and that this has been well organized and disseminated to state localities by the LGC.

Michelle Thompson introduced the results of the 2015 audit and addressed that the City maintained an unmodified opinion. Also, she presented the three material weaknesses found as a result of the audit being performed. These material weaknesses were as a result of errors and statutory issues.

Also, there were four areas of observation as it relates to the 2015 audit. The first item is the control environment and the auditor's recommendation was for the City to establish ethics policy or conflict of interest policy. Mr. Cowin stated that in making this City-wide policy, it would need to be consistent across the top, even if departments currently have their own. Also, he added that in order to tighten up on internal controls, the City has implemented a new financial system and hired an Internal Auditor.

Next, Ms. Thompson discussed the Powell Bill auditing. She stated that a strengthening in monitoring and overseeing this recommended. Carlene Kamradt then added that strengthening reporting by documenting what projects are being worked on for this fund is recommended. Mrs. Demery pointed out that for this very reason; we need the Internal Auditor position to assist with documentation requirements. Ms. Lipscomb inquired as to whether or not the grant compliance was something new. Mrs. Demery and Mrs. Branch responded by adding that there have been write-ups in the job descriptions for Grant Specialist and Internal Auditor to improve this type of reporting. An Accountant position is also requested.

The next item for discussion was the revolving loan fund and the memo related to it provided in the meeting packet. Ms. Lipscomb questioned the total assets of the fund not equaling the amount of the revolving loan fund that was established. Ms. Kamradt responded by stating that it would have to be looked into further. Council Member Smiley added that it could just be a write-off not listed.

The last two areas of observation were segregated duties and the ethics policy. The auditors suggested that a lot of attention be placed on access rights within the system. Also, it was stated by the auditors that the Information Technology (IT) department provides system access to ensure control is outside. Kimberly Branch added that the segregation of duties are there now.

Council Member Smiley questioned whether or not ethics policy is in the City's Personnel Policy. All staff present agreed that it is not and the City Manager stated that it would not be hard to have that added. Mrs. Demery also informed meeting attendees that there are some policies already for City Council and some information throughout the regular personnel policy such as purchasing has been done; however, it is not in the form of a formal policy for staff.

5. Next Meeting – Wednesday, February 24, 2016

This item was not addressed. The auditors asked to speak with the City Manager and City Council. Financial Services staff left the room. There was no action taken and the meeting was adjourned.