

City of Greenville
Audit Committee Meeting
Wednesday, May 11, 2016
City Hall, Room 337
2:00pm-3:00pm
Attendees:

- | | | |
|---|--|--|
| <input type="checkbox"/> Allen Thomas, <i>Mayor (Chair)</i> | <input type="checkbox"/> Rose Glover, <i>Council Member (V. Chair)</i> | <input type="checkbox"/> Rick Smiley, <i>Council Member (Secretary)</i> |
| <input type="checkbox"/> Barbara Lipscomb, <i>City Manager</i> | <input type="checkbox"/> Michael Cowin, <i>Assistant City Manager</i> | <input type="checkbox"/> Bernita Demery, <i>Director of Financial Services</i> |
| <input type="checkbox"/> Kimberly Branch, <i>Financial Services Manager</i> | <input type="checkbox"/> Alisha McNeil, <i>Internal Auditor</i> | <input type="checkbox"/> Michelle Thompson, <i>Cherry Bekaert Auditor</i> |
| | | <input type="checkbox"/> Carlene Kamradt, <i>Cherry Bekaert Auditor</i> |
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1. Review February 10, 2016 Audit Committee Meeting Minutes (See Attached)

2. Audit Plan for 2016 Update – Cherry Bekaert (See Attached)

3. Federal Forfeiture Update

4. Ethics and Code of Conduct Policy Update

5. Next Meeting – Wednesday, September 28, 2016

City of Greenville
Audit Committee Meeting Minutes
Wednesday, February 10, 2016
City Hall, Room 328
11:00am-12:30pm

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 type="checkbox"/> Michelle Thompson, <i>Cherry Bekaert Auditor</i> |
| <input checked="" type="checkbox"/> Chris Ivey, <i>Police Captain</i> | <input checked="" type="checkbox"/> Tara Edwards, <i>Cherry Bekaert Auditor</i> | <input type="checkbox"/> Carlene Kamradt, <i>Cherry Bekaert Auditor</i> |
| | <input checked="" type="checkbox"/> Abbie Bennett, <i>The Daily Reflector</i> | |
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1. Review of November 9, 2015 Audit Committee Meeting Minutes

The minutes were approved, without exception, by Council Member Smiley; Council Member Glover seconded the motion.

2. 2015 Findings/Update

During this part of the discussion, Mrs. Branch went through each item and addressed the current status since the findings and update occurred. The status updates were as follows:

- 1) The fund deficit from the Emergency Operations Fund was an agenda item at a past City Council meeting and fixed the deficit recorded as of FY 2016.
- 2) The issue with the Sanitation Fund is being worked on with Public Works to come to an amount that will need to be adjusted this year by future budget amendment.
- 3) The capital asset system finding is currently being updated and adjusted in new ERP system, Munis. Reports to tie to the assets.
- 4) The Accountant position has been included in budget/position requests for 2016-2017 budget & 2017-2018 operating plan. This position will assist with grant compliance issues.

Additional comments made during this time included Mrs. Demery stating that it is anticipated that departments will be confident in using the capital asset system by June 30th. Also, Mr. Cowin added that the Internal Auditor, Alisha McNeil, will assist the person handling fixed assets to get policies in order for barcoding. Mrs. Demery pointed out that a City-wide ethics policy is being worked on.

3. FY 2016 Contract Proposal

Mrs. Demery began to address this agenda item by informing the committee that a lot of the fee increases have been due to the transition to MUNIS. However, after this year's increase the City should be able to mitigate costs going forward. Council Member Glover commented to clarify the reasoning of the fee increases to ensure that it was due to the change in financial systems and to also find out whether or not the auditors submitted a cost for this year based on that change. She stated going forward the City should not incur this much of a cost. Council Member Smiley stated that the City was under time pressure to be able to issue debt and having Cherry Bekaert to accelerate the process; it in turn increased the costs as well.

The fee proposal was approved by both Council Members Smiley and Glover to go before City Council at the Thursday, February 11, 2016 meeting.

4. Federal Forfeiture Review Update

Tara Edwards, Cherry Bekaert Auditor, presented the review update for the agreed upon procedures as it relates to Federal Forfeiture. Ms. Edwards stated that the Department of Justice (DOJ) has requested the agreed upon procedures. Therefore, no opinion would be given. Ms. Edwards informed the committee that this was not an audit, but that the auditors specifically looked at the amounts the DOJ said had been received by the City and then reconciled them to the general fund. The reconciliation consisted of the past 5 years from June 30, 2010 through June 30, 2014. This process of reconciliation included the expenses as well to make sure they were properly recorded and allowed. Michael Cowin added that this agreed upon procedure was also to review the validity of spending per the DOJ. Mr. Cowin also stated that the revenues will be reviewed and used by the City of Greenville Police Department to respond to the DOJ by the end of February.

Ms. Edwards did indicate since the City had not been reimbursed, results show the General Fund is owed money from Federal Forfeiture. Ms. Edwards also discussed recommendations that would be documented.

- A. Ensure separate bank accounts Treasury vs. Justice
- B. Complete policy around the process of receipting and documenting DOJ funds.

Mrs. Demery noted that these items had been completed.

As a part of the Federal Forfeiture question, discussion surfaced about grants for the City. Council Member Smiley requested a list of grants at an appropriate meeting in the future.

5. FY 2016 Audit

The meeting schedule for the fiscal year 2016 was discussed and it was relayed to the committee that there will be internal meetings prior to regular committee meetings at which only staff are required to attend.

6. Ethics and Code of Conduct Policy

This item was pulled from the agenda and will be discussed at a later date. The Council will be given the Ethics Policy for review upon employees having an opportunity to give input.

7. Next Meeting – Wednesday, May 11, 2016

The next meeting date was agreed upon unanimously, without exception. Council Member Smiley moved to adjourn the meeting and Council Member Glover seconded.

City of Greenville, NC

Audit Committee Topics

May 11, 2016

Audit Approach This Year

- ▶ **Use of File Exchange portal for transmitting files**
- ▶ **Interim**
 - Planning procedures
 - Test of Controls: cash receipts
 - Data analytics
 - Test sample of nonpayroll disbursements
 - Convert accounts in our software and link them for writing the report
 - IT auditors review system conversion and test general computer controls
- ▶ **Fieldwork (September)**
 - All requested files and documents uploaded to portal before we begin
 - Analysis—identify questions and open items (in office)
 - Begin drafting the report (in office)
 - Follow up open items and questions with City staff (in Greenville)
 - Discuss any findings with Management
- ▶ **Reporting (September/October)**
 - Finish drafting the report for Management's review
 - Obtain MD&A, statistical schedules, etc. from Management
- ▶ **City and Auditor responsibilities**
 - City
 - Auditor

Findings

- ▶ **What we are expecting this year in regard to PY findings**
- ▶ **Expect a prior period adjustment for Vehicle Replacement Fund this year in regard to issues with the fixed asset module in H T E.**
- ▶ **"City needs time, people, and resources to work better for Greenville"**
- ▶ **GASB 72 – Fair Value Measurement and Application**
- ▶ **Iran Divestment Act**
- ▶ **GASB 73– Accounting and Financial Reporting for Pension and related assets that are not within the scope of GASB 68**
- ▶ **GASB 74– Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**
- ▶ **GASB 75– Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**
- ▶ Client areas of concern or risk?
- ▶ Fraud risk?
- ▶ Alleged, suspected, actual fraud?
- ▶ Discussion items of the Council that would affect the audit?

Current GASB Standards and laws Current and Future GASB Standard Future GASB Standards

Other Topics

Single Audit

Uniform Guidance

U.S. Office of Management and Budget has issued Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Final Rule (Uniform Guidance) at 2 CFR 200.

- ▶ **Key points:**
 - Changed threshold and other criteria to identify federal programs to audit
 - Percentage of coverage revised
 - Revisions to low-risk auditee criteria
- ▶ **Changes on the SEFSA include:**
 - Additional data to report, likely changes to format
- ▶ **Changes to State Single Audit Implementation Act**
 - Type A threshold changes
 - Percentage of coverage revised