

City of Greenville
Audit Committee Meeting
Wednesday, February 8, 2017
City Hall, Room 337
10:00am-11:00am

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"/> Rex Wilder, <i>IT Director</i> | <input type="checkbox"/> Carlene Kamradt, <i>Cherry Bekaert Auditor</i> |
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1. Introductions

2. Auditor's Presentation (Cherry Bekaert)

3. Review October 26, 2016 Audit Committee Meeting Minutes (Attached)

4. IT's Response to the 2016 Auditor Recommendation (Rex Wilder, IT Director)

2016 Auditor Recommendation/Changes:

“Information Technology

During our review of Information Technology internal controls, we noted that the City has not implemented a periodic review process since its MUNIS ERP financial application was implemented during the fiscal year. Access reviews are fraud detective controls that should be implemented to identify unauthorized users and/or users with inappropriate role assignments based upon their job titles.

We recommend that the City implement a periodic user access review process to review user access to its financial application on an annual basis. This process should be documented to demonstrate when the review was performed and any changes that need to be made as a result.” – Cherry Bekaert, External Auditors (2016 Audit Management Letter excerpt)

5. Federal Forfeiture Update (Alisha McNeil, Internal Auditor)

6. Next Meeting – Wednesday, May 10, 2017 from 10am-11am (CH CR 337)

City of Greenville

- ▶ **Client acceptance process underway**
- ▶ **Planning/interim work**
 - ▶ **Controls, analysis, transaction testing**
- ▶ **Fieldwork/single audit**
- ▶ **Reporting**

City of Greenville
Audit Committee Meeting Minutes
Wednesday, October 26, 2016
City Hall, Room 337
10:30am-11:30am

Attendees:

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|--|--|---|
| <input checked="" type="checkbox"/> Allen Thomas, <i>Mayor (Chair)</i> | <input 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"/> PJ Connelly, <i>City Council Member</i> | <input checked="" type="checkbox"/> Carlene Kamradt, <i>Cherry Bekaert Auditor</i> |
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1. Introductions

Mayor Thomas called the meeting into session and all attendees were asked to introduce themselves.

2. Review of May 11, 2016 Audit Committee Meeting Minutes

The minutes were reviewed and approved without exception by the committee.

3. Results of Audit – Cherry Bekaert

Michelle Thompson started this part of the discussion by reviewing the three findings from the 2015 Audit. She began by stating that all findings have been resolved. The three findings were as follows:

1. Fixed Asset System
2. Compliance – Negative Fund Balance
3. Control Environment Issues

Fixed Assets were discussed first and Mrs. Thompson shared with the Committee that this finding showed that recordkeeping was not where it needed to be. In the past, governments have not put a focus on ledger upgrades and therefore the finding most likely was a result of this. In FY 2016 a legacy system impact that required a prior period adjustment as part of transitioning to the upgraded fixed asset system in Munis.

Mrs. Thompson commended the Financial Services department on the work done to Fixed Assets and the clean-up that took place.

Michael Cowin added that negative fund balance was discussed during budget, more specifically as it relates to the sanitation fund. This item was adjusted during the year to ensure that there would be no negative fund balance.

Council member Rick Smiley asked that the three findings be narratively explained by the auditor. Therefore, Mrs. Thompson thoroughly reviewed each of the previous year's findings and she explained that the three following issues were previously of concern:

1. Misappropriation of funds
2. Deficit fund balances
3. Appropriation of fund balance

Mrs. Thompson followed up by stating that all previous areas of concern have been cleared.

Mr. Cowin added that Financial Services did a great job in moving dates of purchasing back to April, therefore, closing out as many encumbrances as possible, prior to year end.

Council member Smiley then asked what funds were negative versus positive. Mr. Cowin answered by stating that the Fleet and Sanitation funds both had a negative balance. Also, Mr. Cowin explained that he has worked with the Fleet division to look at things from an operational standpoint.

Mr. Cowin asked the auditors if the City had any findings as a result of the 2016 Audit. Mrs. Thompson stated that no findings were anticipated for fiscal year 2016 and that none are planned to be in the financial statements. Ms. Lipscomb asked if the forthcoming management letter will have findings. Mrs. Thompson stated yes, there will be things included in the management letter that the auditors think can be improved on. Mr. Cowin followed that statement adding that he has never seen a management letter [following an audit] without recommendations.

Mrs. Thompson assured the group that there will not be a repeat of previous finding and inefficiencies in this year's letter. Per Mrs. Kamradt, one of this year's recommendations is in relation to general computer controls. She also informed the committee that this would include system controls, wherein periodic access reviews should be done at least once a year, if not more frequently. These reviews would look into "who has access to what". It is also recommended that a yearly review be completed by the persons completing the periodic access reviews as well. This recommendation is forthcoming due to these reviews not being done since the City implemented Munis. If the Information Technology recommendation is not satisfied next year, it is a fraud risk.

Mrs. Demery stated that Munis has a tool that can be used annually to report "who has access to what". Mr. Cowin then added that the City's Internal Auditor, is working on a project similar to this for all systems City-wide.

Council member Smiley asked if Rex Wilder, IT Director, should be on the Audit Committee. Mayor Thomas followed up by asking if Mr. Wilder is being made aware of the systems controls discussions as it relates to Audit. Ms. Lipscomb stated that she has given Leah Futrell, HR Director, the responsibility of making sure that all access is cut-off once an employee exits. Council Member Smiley suggested that it would be a good idea to have Mr. Wilder as a part of the committee going forward.

Council member Smiley motioned to have Rex Wilder, IT Director, be a part of the future Audit Committee meetings. The vote passed unanimously among the committee, proceeding after Mayor Thomas' seconding of the vote.

The second recommendation from this year's audit is directly related to Powell Bill funds. The auditors had a hard time finding the right information. The recommendation is to have a very detailed system to include but not limited to the following:

- Types of equipment used?
- Where equipment is being used?
- Who's doing what (projects)?
- What projects are taking place?
- How long?
- Materials used?

Mrs. Kamradt added that the auditor's recommendation is to have these fields built into the system of workflow. Ms. Lipscomb questioned whether or not this was already built into Munis and Mr. Cowin answered by stating that there is a work order system in Munis and that the Executive Board had just recently approved to use dollars to implement the module. Mr. Cowin informed the Committee that the team plans to have the module up and running in January of 2017.

Council member Smiley wanted to verify that if the Powell Bill is a grant and it has to be accounted for as a grant, whether or not grant management has been an issue in the past. Mrs. Demery stated that the City hired a Grants Accountant in September, with confidence that this is the right person. Mr. Cowin added that the person in this position will be managing grants processes from beginning to end and that all grants will be managed through this new processing and Munis. Mrs. Thompson also added that the Grants Accountant will be responsible for reimbursement billing and receivables, timely.

The projects that the Internal Auditor has worked on were discussed next. Mrs. McNeil gave the committee an overview of the bank reconciliation process she has worked on in collaboration with the Financial Services department. Also, she shared that a City-wide policy has been created for streamlining the cash process. In the near future, the Internal Auditor is expected to go out and train departments on the implementation of this policy and the process to be followed. Mrs. McNeil assured the Committee that she will be checking to ensure that the policy is being followed once training is completed. Additionally, she added that it is mandatory for all who handle cash to sign an acknowledgement form after receipt of the policy.

Ms. Lipscomb then shared that more organizations are going away from handling cash and it was her suggestion that the City look into it. Mrs. Demery and Mr. Cowin both added that this has been looked into as a group, along with the IT department.

The Federal Forfeiture process was discussed next and Mrs. McNeil gave an update to the committee stating that Cherry Bekaert's Agreed Upon Procedure has been reviewed once again by the Department of Justice.

4. Questions and Answers

No inquiries made.

5. Next Meeting – Wednesday, February 8, 2017 10am-11am

There were no exceptions to the proposed meeting date.