

# MINUTES

## Audit Committee of Roanoke City Council

**Location:** Council Conference Room  
Noel C. Taylor Municipal Building, Room 451 South

**Date:** March 4, 2020

**Time:** 4:00 p.m. to 4:21 p.m.

**Attendees:**

<b>Audit Committee Member</b>	<b>Present (Y/N)</b>
Anita Price (Chair)	Y
Joseph Cobb (Vice-Chair)	Y
Michelle Davis (Member)	Y
Sherman Lea (Ex-Officio)	X

Drew Harmon, Municipal Auditor  
Dan Callaghan, City Attorney  
Bob Cowell, City Manager  
Sherman Stovall, Assistant City Manager for Operations  
Brian Townsend, Assistant City Manager for Community Development  
Amelia Merchant, Director of Finance  
Dawn Hope Mullins, Assistant Municipal Auditor  
Tasha Burkett, Information Systems Auditor  
Cari Spichek, Senior Auditor  
Emma Coole, Senior Auditor  
Brian Pendleton, Senior Auditor  
Rob Ledger, Director of Economic Development  
Dorothy Hoskins, Senior Accountant

**1. Call to Order:**

Ms. Price called the meeting to order at 4:00 p.m. and welcomed everyone.

**2. Approval of the Minutes from the December 16, 2019 Meeting:**

Ms. Price asked if there were any questions or comments on the minutes from the December 16<sup>th</sup> meeting. Hearing none, Ms. Davis made a motion to file the minutes as written; Mr. Cobb seconded the motion.

The minutes were received and filed.

### **3. Economic Development Audit:**

Mr. Harmon briefed the committee on the audit planning process, explaining that a great deal of research must be completed before deciding on the objectives of the audit. Auditors reviewed applicable laws and regulations, contracts and agreements, budgets, staffing, and industry guidance. He noted that auditors met with individually with Beth Doughty at the Roanoke Regional Partnership, and with Joyce Waugh at the Roanoke Chamber of Commerce. Mr. Harmon spoke with Sam Darby, who serves as counsel to the Economic Development Authority (EDA). Auditors met with the City Attorney's Office and City Manager's Office, as well as the staff and management of Economic Development. Working with management, auditors assessed the inherent risks associated with Economic Development's primary business objectives.

The background section of the audit report provides an overview of economic development and touches on some of the information considered when deciding on the objectives of the audit. It includes information on business development and workforce development, which were not audited due to their regional nature. Mr. Harmon also noted that his office recently completed an audit of career and technical education at Roanoke City Public Schools, dealing in part with efforts to improve career planning in middle schools. The background also provides an overview of the EDA, including a description of its limited scope of operations and its financial management controls.

As noted in the report, auditors determined that evaluating the effectiveness of the business retention program should be the objective of the audit. Mr. Harmon referred the committee to the written audit report for detailed results.

Ms. Price recognized Rob Ledger and asked if he had any comments to offer. Mr. Ledger stated that the audit was very thorough. He talked about how the study of economics deals with many data points as opposed to economic development being more at the local level and involving much smaller data samples. Small samples can lead to large errors. Mr. Ledger does not think of local economic development from a statistical approach, he sees it as more art than science. His focus is on building relationships with business owners and providing information on available incentives.

Ms. Price responded that no one would argue that Rob does a superb job in making sure relationships are solid and ongoing.

Mr. Cobb thought that the audit report was very comprehensive and educational about the City's approach to economic development. He expressed some surprise that the City does not track key statistics. He noted that it is curious how some businesses can thrive for 50 or 60 years while others, that may also have a good model, do not last a year. It would be helpful to know the challenges businesses are experiencing, particularly when parts of the city have fewer businesses than others and when we have properties downtown that remain empty. It would also be helpful to know what is planned in terms businesses outreach and retention. Mr. Cobb agreed that building relationships with business is important. He would like to think that it is not an either-or situation, that the city can have both good relationships and good information on the local economy. As a Council Member, he would like to see some type of reporting on economic development efforts and the local economy.

Ms. Davis asked about the EDA's funds, which were a little over one million dollars at the time of the audit. She noted that information about where EDA funding comes from and what the funds are used for is not shared with City Council. Mr. Harmon explained that the EDA charges 1/16<sup>th</sup> of 1% of the outstanding amount of the bonds it issues for other companies as an administrative fee. The EDA's primary function is serving as a conduit through which local companies like Carilion can obtain low interest loans. The EDA is not responsible for the debt issued, owns no property, and has no regular expenses.

Ms. Davis asked who performs audits of the EDA. Mr. Harmon responded that an independent public accounting firm must perform the annual financial audit. The last completed audit was for Fiscal Year 2017.

Mr. Cowell stated that the EDA Board has been discussing how it might do more with its current resources. The Board has considered starting a loan program, among other things. An annual briefing might be the best way for Council to develop a sense of the EDA's work.

Mr. Townsend noted that the EDA last briefed the Council approximately three (3) years ago. Mr. Cowell commented that it would make sense to have the EDA brief City Council about any plans for new programs.

Mr. Townsend reminded the Committee that the EDA was chartered by the Commonwealth as an independent authority. The EDA must come to City Council for approval of debt issuance. He noted that the EDA paid the local match required to receive state grants in two deals. He feels the EDA has been conservative as to what it spends money on, for good reason.

Ms. Price thanked everyone for their comments. She stated that Marc Nelson appeared to be responsible for implementing all of the action plans. Mr. Ledger responded that he felt it was appropriate for Marc to take the lead on action plans given his new role as manager and that the staff involved report to Marc. Mr. Ledger reported that some changes are already in place, including a more informative monthly report provided to the City Manager's office.

Hearing no further questions or discussion, the report was received and filed.

#### **4. Other Business:**

The next Audit Committee meeting is scheduled for June 3, 2020, at 4:00 PM. Brown Edwards will present the general audit plan for the Fiscal Year 2020 external financial statement audit. Mr. Harmon will review the annual plan for internal audits. Audit reports on building inspections and on-street parking are also expected to be presented.

Ms. Davis commented that June 3<sup>rd</sup> is an early dismissal day for City students and suggested the meeting time be changed to 1:00 or 2:00 PM. There were no objections; Mr. Harmon will reschedule.

**5. Adjournment:**

Ms. Price adjourned the meeting at 4:21 p.m.