

MINUTES

Audit Committee of Roanoke City Council

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

Date: March 6, 2019

Time: 4:01 p.m. to 4:46 p.m.

Attendees:

Audit Committee Member	Present (Y/N)
Anita Price (Chair)	Y
William Bestpitch (Vice-Chair)	Y
Michelle Davis (Member)	Y
Sherman Lea (Ex-Officio)	N

Bob Cowell, City Manager
Sherman Stovall, Assistant City Manager for Operations
Brian Townsend, Assistant City Manager for Community Development
Amelia Merchant, Director of Finance
Dan Callaghan, City Attorney
Drew Harmon, Municipal Auditor
Dawn Hope Mullins, Assistant Municipal Auditor
Cari Spichek, Senior Auditor
Brian Pendleton, Senior Auditor
Emma Coole, Senior Auditor
Margaret Lindsey, Accounting Supervisor
Dorothy Hoskins, Senior Accountant

1. Call to Order:

Ms. Price called the meeting to order at 4:01 p.m.

2. Approval of the Minutes from the December 12th Meeting:

Ms. Price asked if there were any corrections to the minutes. Hearing none, the minutes were received and filed as written.

3. Planning for Audit of June 30, 2019 Financial Reports:

Mr. Harmon informed the Committee that an RFP for audit services was published on 2/20/19, with proposals due by Friday, March 8th. A selection committee consisting of Mr. Harmon and Ms. Mullins from the Auditing department, Ms. Lindsey and Ms. Trent from the Department of Finance, and Major Bell from the Sheriff's Office, will review proposals by Wednesday, March 13. Firm interviews will be conducted on March 20 in an effort to have a contract signed the week of April 1.

Mr. Harmon asked if there were any questions. Mr. Bestpitch asked who audited the City prior to Cherry Bekaert being engaged. Mr. Harmon responded that KPMG had audited the City for more than 40 years prior to Cherry Bekaert being given the contract in 2015. Mr. Bestpitch asked if KPMG still performs government audits. Mr. Harmon noted the local office had closed and that KPMG had no clients locally, but a notice of RFP was sent to KPMG's Richmond office.

Ms. Price asked about other Virginia firms that might propose. Mr. Harmon responded that Brown Edwards & Company is a Roanoke-based firm that has clients throughout Virginia and some adjoining states, and who currently performs the annual audit of Roanoke City Public Schools. Another firm that typically proposes is Robinson Farmer Cox who has offices in Radford and Blacksburg.

There were no further questions or discussion.

4. Report on Investigation of Alleged Time Abuse:

Mr. Harmon summarized the nature of the allegations, noting that the hotline reporter felt the subjects named were frequently out of the office and not available when other employees needed them. There was also a question about compliance with City policies on paid leave. The investigation looked at work activity between 5/1/18 -11/15/18. The City's exception based payroll does not require employees to record time worked, so other data such as email and door entry records had to be utilized, as well as employee interviews.

The investigation found that the two employees named in the complaint were away from their offices frequently, which validated one aspect of the reporter's concerns. However, testimony and data indicated that the employees were working from remote locations, attending meetings and conferences, and flexing their schedules. The evidence did not support a finding that the city's paid leave policies were violated.

Steve Martin, Director of Social Services, plans to have exempt employees use the "Out of Office" function in the City's NLA system to communicate their schedules and availability. This system notifies the employee's supervisor by email when an "out of office" entry posts, and displays information about the employee's absence on the department calendar, which can be viewed by all DSS employees. It also provides a historical record of time out of the office.

Ms. Price asked when the new process will be in place; Mr. Harmon responded that early April is the targeted time for implementation.

Mr. Bestpitch expressed concern about the time required to investigate allegations of this nature. He feels that issues of this nature would be more appropriate for managers to address. Employees have email and phones through which they can request direction or consultation. Employees who are not responsive should be referred to their supervisors.

Ms. Davis commented that she thinks this type of investigation is good, even if concerns are ultimately not sustained. She felt that the resulting policy changes in this case provides for more transparency and better communication.

Ms. Price stated that the investigation identified potential loopholes and provided a mechanism to close those loopholes.

Hearing no further questions, the update was received and filed.

5. Update on Audit Plans / Risk Assessment:

Mr. Harmon briefed the Committee on the status of the current year's audit plan.

Annual assignments:

- Police Cash: Expect to begin no later than April.
- Council Expenditures: Begins in July
- Clerk of the Circuit Court: Auditor of Public Accounts (APA) decides timing, usually March / April. Roanoke is the only locality in the State that assists with this audit and in return is not billed by the APA.
- Purchasing Cards: Anticipate performing this audit later in the calendar year.
- Simplified Comparative: Work is ongoing; anticipating June presentation.
- External Audit Coordination: Seeking proposals from firms; planning begins in April.

Preview of Simplified Comparative Report:

Mr. Harmon previewed parts of the Simplified Comparative Report that is under development. The report will use graphics to convey information, without a lot of narrative. The objective of the report is to pull together information from disparate sources into one document that provides a more holistic view of the City. Comparative data from surrounding localities will be included to contrast with the City's data.

Members of the Committee were intrigued by the report and agreed that the information could be insightful. They asked about timing for the receiving the report. Mr. Harmon responded that he hoped to present this year's report at the June Audit Committee. In future years, the goal would be to present the report at the March meeting.

Other audit work that is in progress:

- Fire-EMS Operations: This audit focuses on operations, response times, staffing, etc. Challenges with obtaining data from state agencies and the complexity of Fire EMS operations has required more audit time than planned. Report will be presented in June.
- Children Services Act: Based on other unplanned work in DSS, this audit will be pushed out beyond FY 20.
- Economic Development, Building Inspections, and Benefits (HR): These audits will roll over to the FY20 audit plan.
- Fleet Maintenance: Expect to begin this audit before June 30.
- On-Street Parking and Storm Water: Roll over to FY20 audit plan.

An audit of the School Division's Food Services department is nearly completed. Food services are provided by Sodexo who passes through all costs to the Division and is paid a management fee on a per meal basis. This audit has taken more time than planned due to complexity of some cost factors and time required to obtain explanations from the vendor's corporate offices.

An audit of Career and Technical Education will begin in June. Ms. Davis asked about the objectives of the Career and Technical Education audit. Mr. Harmon responded that the specific objectives will be set based on a detailed risk assessment and discussions with management during audit planning.

Other school work completed this year includes a follow up audit on Student Transportation. RCPS is the only school division in Virginia that outsources transportation, making cost comparisons with other divisions difficult. Auditing helped write a new request for proposals that will help ensure the vendor provides the information necessary to enable cost comparisons with other Virginia school divisions. RCPS received four (4) competitive proposals and is in the process of selecting a vendor.

A follow up audit of School Time and Attendance was completed earlier this year and will be presented to the school audit committee in March.

Follow up audits of Special Education and Substitutes are expected to be performed this Summer.

Audits of fuel management and fixed route services that were planned for GRTC this fiscal year will have to roll over to the FY20 audit plan.

The implementation of the new tax and treasury system has been ongoing throughout this fiscal year and will continue to be the focus of our IS Auditor. A detailed briefing on the project's status will be presented to the Committee in June.

Other uses of auditing resources include serving on the Information Technology Committee, the Revenue Committee, and the Lean Committee, as well as providing internal controls training. Hotline activity this year has also increased the number of hours used for investigations.

Hearing no further questions, the update was received and filed.

6. Briefing on Budget for Auditing:

As required by auditing standards, the proposed budget for the Auditing department was reviewed by the Committee.

Mr. Harmon noted that fees for the annual financial audit are expected to increase to ~ \$150,000. The increases are due to a combination of factors, including more complex statements and increasing cost of recruiting and retaining finance professionals. Additionally, the City is classified as “high risk” as relates to federal grant funds, which requires at least 40% of grant expenditures to be tested versus 20% for localities designated as “low risk.”

All authorized auditing positions are currently filled with well-qualified staff who each have one or more professional certifications.

Mr. Bestpitch asked about the variation from year to year in operating expenditures. Mr. Harmon responded that specialized training for audit software (ACL) was funded the past two years, but is not necessary in FY20. A subscription service that provides research and audit programs was canceled based on having exhausted its usefulness. Some years two laptops need replacing versus one replacement planned for FY20. While variances at the object level from year to year can be significant, the budget process constrains growth in operating expenditures as a whole.

Hearing no further questions, the update was received and filed.

7. Other Business:

None

8. Adjournment

Ms. Price reminded attendees that the next meeting will be held on June 5, 2019 and adjourned the meeting at 4:46 p.m.