

MINUTES

Audit Committee of Roanoke City Council

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

Date: June 17, 2019

Time: 12:01 p.m. to 1:11 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)	Y

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
Emma Coole, Senior Auditor
Margaret Lindsey, Accounting Supervisor
Dorothy Hoskins, Senior Accountant
Shatonna Stores, PCI Project Manager
John Aldridge, Partner, Brown Edwards
Chris Banta, Partner, Brown Edwards
Evelyn Powers, Treasurer
Terra Heavner, Chief Deputy Treasurer
Walter Nanez, Automation Coordinator
Dwayne D'ardenne, Stormwater Manager

1. Call to Order:

Ms. Price called the meeting to order at 12:01 p.m.

2. Approval of the Minutes from the March 6th Meeting:

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

3. External Audit Plan for Year Ended June 30, 2019:

Mr. Harmon introduced John Aldridge and Chris Banta, partners with Brown Edwards, the City's new external audit firm. He noted that Brown Edwards has audited the School Division for several years and so there is a familiarity with the firm and its work. He asked Mr. Aldridge to brief the Committee on the general audit plan for FY19.

Mr. Aldridge introduced himself and stated that he will be the primary partner working on the City's audit. Both he and Mr. Banta will be involved in the audit and reviewing the audit work. He referred the Committee to page three (3) of the presentation, noting that Brown Edwards had acquired the City's former audit firm, Cherry Bekaert, subsequent to winning the job through a request for proposals process. He assured the Committee that the City will be audited by the team originally proposed by Brown Edwards and that last year's audit team will not be involved.

Mr. Bestpitch asked if Brown Edwards will have the benefit of the prior year work papers. Mr. Aldridge responded that this is an interesting issue, since Roanoke was not a client of Cherry Bekaert's at the time of the acquisition. Mr. Banta responded that he has reviewed the work papers as part of the transition. They are hopeful that the work papers can be transferred to Brown Edwards, providing many of the permanent records that have to be compiled. Mr. Bestpitch commented that it would be helpful if Brown Edwards did not have to start from scratch; Mr. Aldridge agreed.

Mr. Aldridge talked about Government Auditing Standards and requirements that the firm audit federal grants and compliance with specific state requirements, in addition to financial reporting. He reviewed the three phases of the audit: planning, interim field work, and final field work. He noted that the State requires local governments to file their audit by November 30 and that he foresaw no problems in meeting this deadline.

Brown Edwards will also perform the audits of Greater Roanoke Transit Company and Roanoke City Public Schools, which are component units of the City and whose financial results are incorporated into the City's Comprehensive Annual Financial Report. Mayor Lea asked how long Brown Edwards has audited the schools. Mr. Banta responded that this would be the firm's tenth year. Mr. Aldridge noted that the schools have their own audit team but that he and Mr. Banta direct and review the work. This will be advantageous for the overall City audit and provide efficiencies.

Mr. Aldridge talked a little more about planning and risk assessment. Areas that require more scrutiny include things such as debt refunding or new school buildings. Virginia is unusual in that school divisions manage and operate school buildings, but the debt and the value of the asset are on the locality's books. The firm also looks at any new accounting standards and any impacts they may have on the client.

Interim work is in progress with Brown Edwards staff performing grants compliance work at the City's Social Services department. Required work in the Sheriff's office will be performed in July. One notable change from last year is the City's taking over operations of Civic Center from an outside

management company. Brown Edwards will spend some additional time with Finance and Civic Center staff understanding any resulting changes in financial controls.

Final field work begins after the end of the fiscal year. When completed, opinions will be issued along with a management letter communicating the results of the audit. Any suggestions from the auditors will be discussed with management before it comes to the Audit Committee. All the information will be shared with Committee members for consideration and comments. Brown Edwards will follow up on any issues in 2020 and will report back to the Committee.

Mr. Aldridge discussed significant audit areas on page 12 of the plan. He described steps taken to identify joint ventures and similar arrangements that add complexity to financial reporting. Mr. Aldridge noted that one advantage of being a Roanoke-based firm is the familiarity with local news and events.

Next, Mr. Aldridge discussed plans for auditing federal grant expenditures. A material weakness in the Workforce Investment grant last year caused the city to be reclassified as "high risk." His firm must audit at least 40% of the City's federal grant expenditures.

Ms. Davis commented that she was excited to have a new firm and fresh eyes looking at the City's financial reporting.

Mr. Bestpitch concurred and felt it was good to have a local firm that is familiar with local events and the City government.

Ms. Price noted that Brown Edwards has a vested interest in the Roanoke Community and will bring fresh perspective to the audit. She expressed the Committee's happiness at having Brown Edwards as the City's new audit firm.

Mr. Aldridge thanked Committee members for their time and suggested they contact him or Mr. Banta directly if they have any questions or concerns about the audit.

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

4. Fire-EMS Operations Audit:

Mr. Harmon apologized for the length of the report, noting that there was a lot of information to convey. Fire-EMS is one of the primary functions of the City and one of its larger departments. He noted that the background information was extensive, providing context for decisions on the scope and objectives of the audit.

Mr. Bestpitch noted that Fire-EMS is a significant portion of the City's budget and that the amount of overtime incurred appeared to be one of the main issues identified. He understood that retirements played a significant part in the issue and asked if this will continue to be a concern into the future. Mr. Stovall responded that turnover is a key factor generating overtime and that graduating only one Fire-EMS academy per year presents challenges. Management allows the Chief to overhire each year

to provide a staffing buffer, however; vacancies will always be a challenge with only one academy per year. His direction to the Chief is that they cannot compromise the safety of the public or the safety of firefighters, when addressing staffing shortages. The department does not brown out or black out stations. Mr. Stovall commented that additional overfill positions may be considered, that an automated scheduling system is being explored, and that they continue to work at forecasting turnover.

Mr. Bestpitch thanked Mr. Stovall for his comments and asked about the risks of individual firefighters working too much over time. Mr. Harmon noted that Fire-EMS instituted a maximum 72 consecutive hour rule in 2018 and that the audit identified only one violation after the rule took effect.

Mr. Harmon stated that there had been a lengthy discussion about retirements during the audit exit conference. Management has been proactive in identifying who is eligible for retirement. They are hopeful that firefighters will be more forthcoming about plans for retiring in the future. Mr. Stovall noted that nothing in City's pension plan requires that employees provide advance notice of their retirement plans.

Ms. Price asked about notable operational models other localities had for Fire-EMS. Mr. Harmon noted that Auditing had attempted to compare operational data submitted to the State by public, private, and volunteer agencies. The data was difficult to obtain and appeared to be incomplete and inaccurate, preventing any valid comparisons. However, the data showed that emergency medical services in the Richmond area were primarily provided by an Ambulance Authority. The Authority appears to be a very successful model, with a centralized station from which ambulances are deployed based on historical data in advance of calls for service. Roanoke's Fire Chief is familiar with the Authority and its innovations; he has visited the Authority on at least two occasions.

Ms. Price commented on the wealth of information provided by the audit report and expressed her appreciation to everyone involved.

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

5. Employee Loitering Investigation:

This investigation was prompted by a hotline report filed by a concerned citizen. The concern was substantiated with management's assistance and was promptly corrected. Mr. Harmon briefly commented on the important responsibilities of the Stormwater Division's central business district crew and factors that contributed to excessive idle time. A new work order system is expected to help with planning and monitoring work throughout the Division, including downtown.

Mr. Bestpitch commented that the top line of all job descriptions should be to make the City of Roanoke the best it can be. It should not just be about checklists, it should be about looking at what needs to be done. He is often amazed at the amount of trash picked up weekly as reported in the City Manager's weekly updates. Even with consistent efforts, he still hears constantly about code violations.

Ms. Price asked if there were any other questions or comments. Hearing none, the update was received and filed.

6. Tax and Treasury Project Update:

Ms. Mullins introduced the vendor [PCI] Project Manager, Shatonna Stores, and discussed the project timeline, noting that five (5) systems will be converted. Due to the amount of data involved, conversions will be ongoing throughout the project. For example, the personal property system alone has over 100,000 records that must be migrated. Overall, there will be four rounds of conversions. Round one involves assimilating basic customer data from legacy systems, which has been difficult. Later rounds will focus on other data attributes and account information. New information may also be added during the process.

Ms. Stores commented that the data conversion process involves a lot of clean up and takes significant time. She noted that the City is also considering changes to its current business processes that may have implications for data conversion. Ms. Mullins added that the Department of Technology (DoT) has been able to automate some of the data cleanup and overall those conversions have been reasonably successful. However, extracting real estate data from the legacy system has been problematic and may require paying the current vendor for assistance.

Progress on conversions has been constrained by the availability of both DoT and vendor resources. A temporary full time Application Developer position at the City has been advertised and, when filled, will work exclusively on the project.

The vendor is also behind schedule in installing the cashiering side of the test system. This has inhibited City staff in making system setup decisions. There has also been a lack of experience sharing and direction provided by PCI. Ms. Stores stated that her experience comes primarily from the client side, as a system user at another locality. She believes there will be more knowledge-sharing once testing begins. In order to setup a beneficial test system, considerable data conversion needs to be completed. Ms. Powers added that she recently had the opportunity to talk with several treasurers who utilize the system and they had many helpful recommendations.

Ms. Davis inquired about the size of the vendor company and the number of municipal contracts. Ms. Stores responded that the company has approximately 50 employees in Tampa and an additional 20 employees in other locations, including Europe. Clients include approximately 18 localities in Virginia.

Ms. Mullins continued with the presentation, noting that a more formal process for reaching and documenting decisions was under development. There have been delays in decision making by the project team due to various reasons. Hopefully, the new process will more directly capture the basis for decisions, as well as serve to hasten the decision making process.

Ms. Mullins complimented the work of employees from the Treasurer's and Commissioner's Offices. To date, efforts have been primarily focused on Commissioner's Office duties, but will be transitioning to include more Treasury input. Overall, departmental time commitments will need to increase

substantially moving forward. Project hours declined in the most recent quarter due to tax season and accommodations will have to be made next tax season to enable employees to consistently continue working on the project.

Critical deliverables provided by the vendor since the last update include delivery of the final project plan, system training and a portion of the test system. The City completed multiple business process review documents and made significant progress on conversion decisions and data files. Ms. Mullins discussed the project budget noting that approximately \$22,816 remains. Project goals for the September update include completing round one of conversions, finalizing remaining business process review documents and identifying potential City Code changes that may be needed. Mr. Bestpitch asked if the October 2020 go-live date is still reasonable. Ms. Mullins responded in the affirmative, as there are plans in place to address some of the current struggles. Ms. Price commended the team for their hard work and thanked Ms. Stores for attending the meeting. Mr. Harmon added that it is important to keep the process moving and the committee informed.

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

7. Other Business:

Mr. Harmon noted that the next Audit Committee meeting is scheduled for Wednesday, September 4, 2019.

8. Adjournment

Ms. Price adjourned the meeting at 1:11 p.m.