

CALLAWAY AUDIT COMMITTEE MEETING

October 14, 2013

TIME: 6:00 P.M.

Meeting was called to order by Chairperson McKinney at 6:00 P.M.

ROLL-CALL – PRESENT: Commissioner Henderson, Larry Johnson, John L’Heureux, and
Chairman Shelley McKinney,

ALSO PRESENT: Sandy Hirth

APPROVAL OF MINUTES:

Commissioner Henderson moved to approve the Audit Committee meeting minutes of June 13, 2013. Committee Member L’Heureux seconded the motion.

All ayes

BUSINESS ITEMS:

**ITEM #1 DISCUSSION ON AUDITOR’S LETTER REGARDING OBSERVATIONS/
RECOMMENDATIONS – LETTER DATED 9/12/13**

Chairman McKinney stated they all have a copy of the letter from our auditors, Warren Averett, dated September 12, 2013. Angela Balent with Warren Averett joined the meeting via telephone conference call. She stated during their August 19-22, 2013, visit at City Hall they performed control cycles in specific areas: Utility Billing – Cash Receipts; Utility Billing – Rates and Meter Exception Reporting; Cash Disbursements; Payroll; and Travel Expenditures (compliance with the Florida Statutes). Ms. Balent said audit testing of controls are substantive tests that follow a process through the whole cycle of whatever is being tested. It also helps in updating and understanding of controls and processes.

1. Review of Bank Statement Reconciliation

Observation -

They found currently the Director of Finance performs the monthly bank reconciliations without a formal review and approval by senior personnel who are independent of the Finance function.

Recommendation -

The auditors suggest that someone from the Commission/City Manager review the monthly reconciliations and date/sign to this effect.

Chairman McKinney stated she feels the City Manager should be involved since he’s ultimately responsible for Finance and all departments. Ms. Balent said she would sit with the person selected to give them a 30 minute review. She said this was performed previously by the City Clerk.

2. Segregation of Duties Surrounding Purchasing Cards

Observation –

The Assistant to the Finance Director currently has the ability to record expenditures into the City's accounting system, initiate purchases with a ghost purchasing card, and approve purchasing card purchases. Ms. Balent stated with it set up as it is, there is the possibility of having illegal purchases on the ghost card.

Recommendation –

The auditors recommend that the Director of Finance review all transactions initiated using the City's purchasing cards. This would include comparing the transactions on the purchasing card statements to the actual invoices for propriety. This would segregate the duties surrounding purchasing cards and reduce the risk of errors or fraud. They also recommended any purchases made by the Director of Finance using her purchasing card be approved by the City Manager and any purchases the City Manager makes on his purchasing card would be approved by the Director of Finance.

Chairman McKinney asked if they had seen any evidence of this happening and Ms. Balent stated no they had not.

3. **Results of Testing of the City's Purchasing Policy – Travel**

Observation –

Out of ten travel expenditures tested, they found three instances where the "Travel Request Reimbursement & Reconciliation Form" had a missing approval signature on the Part 1 portion of the form.

Recommendation –

The auditors recommended City personnel obtain the Part 1 authorization prior to their trip in accordance with City policy.

Chairman McKinney asked if there was any particular department. Ms. Balent stated the sampling was not from any one department. Part 1 is the authorization to travel should be the first step when planning travel.

4. **Results of Testing of Utility Billing Exception (Nonstandard Reading) Report**

Observation –

They found one exception out of twenty meter readings which fell into the predefined exception categories and it was not reread. This meter read had a consumption of 17,000 gallons which was not the normal usage level for that customer yet the City did not obtain a reread on that meter.

Recommendation –

The auditors noted the City did rereads regularly which are found by physically scanning a report from Springbrook which can be cumbersome. Ms. Balent noted that Springbrook should give us a report on these meters. They are recommending the City implement Springbrook's exception reporting feature which will allow automated filtering of exceptions rather than a manual review of all readings. Ms. Balent said this would reduce the risk of overlooking a meter reading exception which, if overlooked, could result in a customer being under or over billed. She stated she received correspondence from the Assistant to the City Manager on August 21, 2013, stating the City is working with Springbrook's support personnel in order to define the exception parameters to conform to the City's policies.

Ms. Balent said the interim work session went very well when they were at City Hall in August. She stated staff was helpful and got the requested information to them in a timely manner. She said they are ready to start work when the trial balance is ready.

Commissioner Henderson asked when the field work would begin. Ms. Balent responded they will be here December 2, 2013. She stated the audit could be finished in early 2014 except they have to wait for the joint venture audit which is received in March. Ms. Balent said she will call the Audit Committee again when the field work is completed which will be mid-December.

PUBLIC PARTICIPATION

David Griggs, 7111 Winona Street, Callaway, FL, said he was surprised the issue of bank reconciliation came up tonight. He stated he has been retired since 2001 but he still initials his bank reconciliations. He said he was concerned about recommendation #4. He said five years ago we started putting in electronic meter reading devices on our meters which was supposed to give alerts on high reads. Board Member Johnson stated the ACLARA system never worked right. He said we currently reread approximately 300 meters/month and a FCC frequency change coming up will cost the City \$53,000 to keep what we have. He said we are changing to a system where you get the reads by driving by the meter. Mr. Griggs said he checks the read on his meter to determine how much he's using.

Commissioner Henderson stated she has spoken to Finance Director Yeager regarding having to pull information from several areas to do the bank reconciliation. Chairman McKinney asked if it would be possible to get Springbrook to train our employees on the reports available in our system.

Chairman McKinney said her idea of the process is the Audit Committee has now received the recommendations and discussed them. She feels the next step would be to ask City Manager Collins to meet with them to discuss the procedures he has or will be putting into place regarding the four recommendations. He will also be able to give the Audit Committee an update on how far we have gotten on getting the Springbrook report to have a list of over/under meter readings. The next Audit Committee meeting was scheduled for October 30, 2013, at 6:00 P.M. Hopefully City Manager Collins will be able to place it on his schedule.

The Audit Committee discussed the possibility of having Dr. Skip Daube as a member of the Audit Committee. Everyone was very happy to hopefully have this last vacancy filled! They would be very pleased if Commissioner DeLapp appoints Dr. Daube to the Audit Committee at the October 22, 2013, Regular Commission meeting.

There being no further business, the meeting was adjourned at 6:50 P.M.


Sandra B. Hirth, City Clerk