

CALLAWAY AUDIT COMMITTEE MEETING

October 30, 2013

TIME: 6:00 P.M.

Meeting was called to order by Vice Chairperson L'Heureux at 6:00 P.M.

ROLL-CALL – PRESENT: Commissioner Henderson, Larry Johnson, John L'Heureux, and Skip Daube

ARRIVED LATE: Chairman McKinney (6:06 P.M.)

ALSO PRESENT: City Manager Collins, City Clerk Hirth

APPROVAL OF MINUTES:

Commissioner Henderson moved to approve the Audit Committee meeting minutes of October 14, 2013. Committee Member Johnson seconded the motion.

All ayes

Chairperson McKinney absent

BUSINESS ITEMS:

ITEM #1 DISCUSSION OF AUDITOR'S OBSERVATIONS/RECOMMENDATIONS – WITH CITY MANAGER COLLINS

Chairman McKinney said she would begin by addressing each of the Auditor's observations/recommendations.

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.

Committee Member Daube asked if this was to make sure we had checks and balances and was told this function is a verification of the reconciliation completed by the Finance Director. City Manager Collins said it is his understanding the Audit Committee would like for him to assume this duty so he will be doing the verification, dating and signing each one when it's completed. He stated the Auditors recommended someone from the Commission complete this verification but he said it would be more practical if he assumed the duties of verifying the reconciliation. Chairperson McKinney asked what would be done when he is on annual leave. City Manager Collins replied that when he is on leave, he has an Acting City Manager which will be one of the Department Heads and that person will do the reconciliation. He said he will bring each Department Head in, one at the time, and go over the procedure on how to do the reconciliation. Chairperson McKinney asked if he would document the training and have a detailed check off sheet showing where the figures are pulled from to balance the

reconciliation. Commissioner Henderson said we want to be sure to not pencil whip the reconciliation, everyone needs to know what to really look at and understand what they are looking at. It was decided the detailed check off sheet will be sent to Commissioner Henderson for review. Committee Member Daube asked if anyone looks at trending reports which would indicate something is wrong by peaks in activity. Commissioner Henderson stated we would be looking for check kiting, checking deposits, etc. so we would not be comparing checks to statements. City Manager Collins said he can't get into any account and that's the way it should be. He said he goes to the banks and asks to see what's happening with the accounts, checks to see if any new accounts have been opened, checks to see if any fraud is taking place, etc. Committee Member Daube stated trending reports show people who steal. City Manager Collins said he believes in trust but verify – just has to review. He asked the Committee Members if they wanted him to continue to do the reconciliation verification. Chairperson McKinney stated she was not sure the Commission members would know what to do. She asked that he follow through with the training and documentation of the Department Heads.

Next Item:

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.

City Manager Collins said he has already verbally told Finance Director Yeager and Assistant to the Finance Director Franklin to begin this procedure and it was already implemented. He stated it is in our Purchasing Manual. Chairperson McKinney asked if she could look at the Purchasing Manual and City Manager Collins informed her that it is online at our website.

Next Item:

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.

Chairperson McKinney stated the signatures required in Part 1 are employee, supervisor and department head. She said apparently the supervisor or department head did not received the form for prior to submittal of the form for final authorization. City Manager Collins stated he will make sure all three signatures are on Part 1 prior to final authorization. Chairperson McKinney said she realizes people get into a routine when they turn something in ahead of time. She asked if the policy is already there and City Manager Collins stated it is and that we will be more watchful about having the signature lines completed on the form.

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.

City Manager Collins stated the City has a reporting system for this type report already installed in Springbrook at no extra cost, it's free to run it. Chairperson McKinney said this goes back to what Committee Member Daube was speaking about – trending. The report should show if someone has a utility bill that falls high/low from their normal readings. City Manager Collins said we will implement the report and then when we have some results, we will take it to the Audit Committee for verification that it is working.

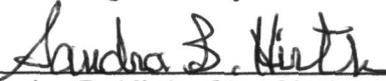
Chairperson McKinney told our newest member – Skip Daube – “Welcome”!!! She stated we are all very happy that he has joined the Committee to which Dr. Daube stated he's happy to become involved with his City. City Manager Collins thanked the Audit Committee for being diligent and donating their time for the City's benefit. Committee Member Daube said we have a City that is managed well because look at all the ones that are in the “red”!

City Manager Collins touched on the subject of Veterans Park and how they (he and Mr. Johnson) are working to try to solve the odor problem. He said they have an issue with Bay County but hope that will be resolved very soon.

Chairperson McKinney said she was happy they had a very positive meeting tonight. She stated Warren Averett has been great to work with and they keep the Audit Committee informed. She said she and City Manager Collins will have to get together regarding

Recommendation #4. City Manager Collins also invited Chairperson McKinney to the training of a Department Head on the reconciliation process. She instructed City Clerk Hirth to get the Warren Averett letter to the Commission as soon as possible.

There being no further business, the meeting was adjourned at 6:32 P.M.



Sandra B. Hirth, City Clerk