



# GARLAND

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## INTERNAL AUDIT

Audit Committee

Meeting Minutes

Monday, March 24, 2014, 3:30 P.M.

### 1. Opening Remarks/Roll Call

Chairman Cahill called the meeting to order at 3:37 P.M.

#### **Committee Members - Present:**

Jim Cahill, Audit Committee Chairman  
Stephen Stanley, Councilman  
Bill Dollar, City Manager  
Bryan Bradford, Assistant City Manager  
David Schuler, Managing Director of Financial Services  
Jed Johnson, City Auditor

#### **Committee Members - Not Present:**

Laurie Dodson, Mayor Pro Tem

#### **Staff:**

Reem Samra, Deloitte & Touche Managing Director  
Kelly Chamberlain, Deloitte & Touche Sr. Manager  
Steve Anderson, Investment & Debt Director  
Kathryn Ritchie, Accounting Administrator  
Lonnie Banks, Managing Director – EWS  
Tyra Lewis, Operations Financial Coordinator – EWS  
Mike Gaiter, Building Official  
Jeff Janke, Electric Managing Director  
Tom Hancock, Director of Electric Utilities  
Darrell Cline, Director of Electric Finance & Accounting  
Christy Browning, Electric Accounting Administrator  
Laurie Watson, Electric Accounting Coordinator

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Carole Clark, Tax Administrator  
Chief Mitch Bates, Managing Director – Police  
Assistant Chief Charles Rene - Police  
Pam Asbell, Sr. Auditor  
Christy Rodriguez, Staff Auditor  
Marla Hamilton, Staff Auditor

**2. Approval of minutes from December 9, 2013 Audit Committee meeting minutes.**

Upon motion by Councilman Stanley and seconded by Chairman Cahill, the minutes of December 9, 2013 Audit Committee meeting was approved.

**3. Deloitte Presentation –**

Mr. Johnson introduced Ms. Samra with Deloitte & Touche to discuss the CAFR, Single Audit Report, Governance Letter and Report to Management.

Ms. Samra described the opinion as an unmodified opinion in both the audit and the financial statements; meaning that the financial statements do represent the financial position of the City and provided additional information regarding the new standards of reporting. She referred to the City's engagement of other external auditors in auditing Garland Housing Finance Corporation. Deloitte is allowed to reference other auditors' work in the reporting of Financials. The Chairman, Ms. Samra and Mr. Schuler discussed the inclusion of the other auditors' work. Ms. Samra then highlighted the findings and other areas of discussion.

A discussion was held between Chairman Cahill and Mr. Dollar regarding the City employee job evaluation process.

Discussion was held between Ms. Samra, Councilman Stanley and Mr. Schuler to clarify the requirements of the grant and the related project. Councilman Stanley clarified with Ms. Samra the current status and availability of the "Assistance to Firefighters Grant", due to lack of documented authorization for the grant.

Once Ms. Samra completed highlighting the areas, she and Councilman Stanley discussed the basis of the deficiencies in the Grant processes.

Chairman Cahill, Mr. Johnson and Ms. Samra discussed the process for following up on the deficiencies and the responses required by management. Chairman Cahill indicated that Internal Audit take responsibility to follow-up on management's implementation of material weakness and significant deficiency findings and recommendations.

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Chairman Cahill expressed his appreciation for the work performed by the external auditors.

**4. Recyclables Processing and Marketing Agreement Audit –**

Mr. Johnson opened discussion with the objectives and scope of the audit. Chairman Cahill, Mr. Johnson and Mr. Dollar discussed and clarified the background of the audit. Mr. Johnson resumed discussions of the findings. A discussion was held between Councilman Stanley and Mr. Johnson regarding the timeframe of the audit. Chairman Cahill and Mr. Banks discussed the recycling process and the contracted company. There were six findings. Significant discussions were held regarding the following findings:

- Finding #2 Mr. Bradford, Mr. Johnson, Councilman Stanley and Chairman Cahill discussed the glass charges versus the processing fee. Mr. Johnson discussed the letter sent by the Deputy City Attorney regarding the glass charges. More clarification was provided to Councilman Stanley and Chairman Cahill regarding the glass charges.
- Finding #3 – Chairman Cahill, Councilman Stanley and Mr. Johnson discussed the verification process to ensure the City was receiving payment for the accurate amount of tonnage. Mr. Bradford, Councilman Stanley and Mr. Banks discussed the proceeds that should have been received from Republic and the process involved in verifying the tonnage reported.
- Finding #6 – Chairman Cahill and Mr. Johnson discussed about the \$12,000 annual payment City receives from Republic. Mr. Johnson indicated that it was to educate the public regarding City's recycling program.

Chairman Cahill, Ms. Asbell, Councilman Stanley and Mr. Johnson discussed tonnage measured, statistics to compare and fluctuation in pricing. In addition, they discussed the overall amount of revenue received. Chairman Cahill, Councilman Stanley, Mr. Bradford and Mr. Dollar discussed about cost benefit analysis and landfill capacity.

Management concurred with the findings and recommendations.

**5. Building Inspection – Management Controls over Collection of Fees Audit –**

Mr. Johnson opened discussions with the objective and scope of the audit. He then discussed the findings. Chairman Cahill requested and Ms. Hamilton clarified the types of permits processed by Building Inspections. Discussions were held regarding the following findings:

- Finding #1 - Chairman Cahill, Councilman Stanley, Mr. Johnson and Ms. Hamilton discussed the significant weakness in controls regarding the lack of segregation of duties of the Permit Supervisor.
- Finding #2 – Chairman Cahill, Councilman Stanley, Mike Gaiter and Mr. Johnson discussed the fee differences noted in the report and why the changes were not reflected in the ordinance. Chairman Cahill and Mr. Gaiter discussed the

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additional fees noted in the report and discussed adding them for City Council's approval.

- Finding #3 – Councilman Stanley, Ms. Hamilton and Mr. Johnson discussed the issue of several users sharing the same login ID and password. Councilman Stanley, Mr. Dollar and Mr. Johnson discussed the annual user entitlement review to which this application will be added.

Management concurred with the findings and recommendations.

**6. GP&L T&D Capital Reimbursement Audit –**

Mr. Johnson opened discussions with the background and evolution of this audit. This audit resulted from a Hotline call regarding billing of reimbursements due to the City. He then discussed the findings. Discussions were held regarding the following findings:

- Finding #2 – Chairman Cahill and Mr. Johnson discussed the size of the contracts involved and the execution of the contracts.
- Finding #3 – Chairman Cahill and Ms. Hamilton discussed the filing requirements with the City Secretary's office.

Management concurred with the findings and recommendations.

**7. Accounts Receivable Cash Handling Audit Follow-up –**

Mr. Johnson discussed the follow-up audit and the number of findings documented in the original audit. He then presented the results of the follow-up in each section. Discussions were held between Chief Bates and Councilman Stanley regarding overtime reporting and how the Police Department re-emphasized the requirements in reporting. Chief Bates and Mr. Johnson discussed the new updated forms, the address listed in the forms and when they were sent out to the carriers for their signatures. Chairman Cahill, Councilman Stanley and Mr. Johnson discussed the new procedure of taking deposits to cover the fees of Landfill usage.

Chief Bates, Mr. Johnson, and Chairman Cahill decided to follow-up on the forms that were mailed out to the carriers, after six months.

There being no further business to discuss, the meeting was adjourned at 4:59 p.m.

6-23-14  
Date:

Marla Hamilton  
Marla Hamilton

James A. Cahill  
Chairman Jim Cahill  
Audit Committee