



# City of Greensboro

Melvin Municipal Building  
300 W. Washington Street  
Greensboro, NC 27401

## Meeting Minutes - Draft Audit Committee

Friday, February 24, 2017

9:00 AM

Legislative Conference Room

### **1. Call To Order**

This Audit Committee meeting of the City of Greensboro was called to order at 9:00 a.m. on the above date in the Legislative Conference Room of the Melvin Municipal Office Building with the following members present:

Chairperson Nancy Vaughan, Councilmember Justin Outling, Councilmember Tony Wilkins, and public member Art Winstead.

Also present were City Manager Jim Westmoreland, City Attorney Tom Carruthers, Finance Director Rick Lusk and City Clerk Elizabeth H. Richardson.

Assistant City Manager Chris Wilson, Deputy Finance Director Marlene Druga, and Internal Audit Manager Len Lucas were also present.

Mayor Vaughan welcomed everyone to the meeting.

### **2. Old Business**

1. [ID 17-0120](#) Motion to Approve the Minutes of the Audit Committee Meeting of March 23, 2016

Moved by Councilmember Wilkins, seconded by Councilmember Outling to approve the minutes of the Audit Committee meeting of March 23, 2016. The motion was adopted by voice vote.

### **3. New Business**

2. [ID 17-0121](#) Nomination of Public Member

Mr. Winstead expressed that he would be willing to continue to serve as the public member for the Committee.

Moved by Councilmember Wilkins, seconded by Councilmember Outling to appoint Art Winstead as the public member for the Audit Committee for an additional term. The motion carried by voice vote.

3. [ID 17-0122](#) Independent Auditors' Presentation  
Lou Cannon, Partner, RSM US LLP  
FY 2015-2016 CAFR and Audit Highlights

Mr. Lusk recognized Mr. Lou Cannon, Partner of RSM, US LLP for an update.

Copies of the presentation were provided to the Committee.

Mr. Cannon reviewed the presentation; explained that the City had received an unmodified "clean" opinion which was the highest level; highlighted the 'Emphasis of Matter' paragraph; outlined the opinions issued for the Federal and State Single Audit Act; spoke to the report outlining required communications; and provided an overview of the general fund revenues by source and years. Mr. Cannon reviewed the general fund expenditures chart; added that the percentages had remained consistent over the past four years; and explained the different fund balances in the General Fund.

Councilmember Wilkins asked for clarification on the term separation allowance; and how public safety for Greensboro compared to other cities.

City Attorney Carruthers entered the meeting at 9:09 a.m.

Mr. Cannon responded that he could provide that information; highlighted what information the bond agencies and other entities were interested in seeing; spoke to the General Fund unassigned fund balance; tax revenues by source and years; and provided an overview of the Enterprise Fund Operating Expenditures.

Councilmember Wilkins inquired about restricted funds; and if said funds could be used for other things.

Mr. Lusk explained that there was a general risk retention fund with approximately \$15 million remaining; that the City was self-insured for certain risks and paid its own claims from the fund; and provided examples of what was included in restricted funds.

City Attorney Carruthers suggested that a study commission be assigned at the General Assembly to review the issue with regard to the amount of funding for said fund.

Discussion took place regarding the minimum balance of 8% that was recommended by the Local Government Commission for the fund unassigned fund balance; use of said funds; and importance for the City to maintain its AAA bond rating.

City Manager Westmoreland assured the Committee the City had received a clean audit with no control deficiencies noted by the auditors.

Brief discussion took place regarding the two deficiencies in last year's report; and corrective action taken.

Mr. Cannon informed the Committee that RSM would not continue the audit contract for next year; explained the reasons for withdrawing from said contract; and voiced appreciation in working with the City staff.

Mr. Cannon left the meeting at 9:30 a.m.

(A copy of the Presentation is filed in Exhibit Drawer Z, Exhibit No. 7, which is hereby referred to and made a part of these minutes.)

#### 4. [ID 17-0123](#) Audit Contract

Mr. Lusk spoke to the challenges of accounting firms doing local government audits, to the personnel and training needed for said audits; spoke to the qualifications for said firms; and added that the firm of Cherry, Bekaert had performed the audits of the City for approximately 20 years.

Discussion took place regarding the discount provided to the City; the need for firms to have North Carolina local government knowledge; the number of firms who bid on the recent contract; and the challenges and process for maximizing the M/WBE participation for accounting firms.

Mr. Lusk explained the timeline should the Committee decide to put out Requests for Proposals (RFP); emphasized the impact a delay could have on the issuance of bonds; outlined the deadline for turning in annual audits to the Local Government Commission (LGC); requirements of the LGC; and provided an overview of the process should the City open the bid process back up.

Discussion continued regarding the limited number of firms willing to conduct the audits for a City the size of Greensboro; the likelihood of not getting the audit complete by the required deadline should the City reopen the process; work done in the audit; and importance of timeliness of audits for issuing bonds on the City's normal schedule.

Deputy Finance Director Marlene Druga advised the Committee of what happened previously when the City was late in filing their audit; stated that the two Durham firms were not within the City's M/WBE area; spoke to the

work of Cherry Bekaert; and to the use of subcontracting firms for auditing work.

Mr. Lusk emphasized the need for firms to have expertise in the field; stated staff would like to proceed with Cherry Bekaert; added that Cherry Bekaert ranked "second" place during the last RFP two years ago; and confirmed that subcontracting for audit work was not common practice.

Mr. Winsted confirmed that subcontracting audit work was uncommon practice; and voiced concern with RSM not continuing the work as a result of one person leaving.

Mayor Vaughan stated that in the past the City went out for bids; hired a new accounting firm that was successful; and spoke to the risk of utilizing a small firm.

Councilmembers Outling and Wilkins voiced concern with not issuing a new RFP.

Discussion took place regarding importance of M/WBE requirements; subcontractors involved in the auditing process; and issuing an RFP for a new accounting firm.

Moved by Councilmember Outling, seconded by Councilmember Wilkins to place the service contract out for an RFP. The motion carried by voice vote.

Mr. Lusk stated he would notify the Committee when that had been completed; and confirmed that every year the City needed to sign a contract for auditing purposes.

#### 5. [ID 17-0125](#) Internal Audit Report

Internal Audit Director Len Lucas provided an overview of the 114 compliance reports completed; spoke to PIRT requests; to the process for posting complete reports on the City's website; and highlighted City procedure.

#### 6. [ID 17-0126](#) Other Business - January 2018 Meeting Date

Assistant City Manager Chris Wilson asked if audit rates could increase when rebidding the contract among vendors that previously bid.

Mr. Lusk confirmed that they could; stated that the next proposed meeting would be January 25, 2018; and recognized Ms. Druga for one additional item.

Ms. Druga provided a flyer to the Committee outlining the upcoming Summer Finance Internship program that the City was offering; confirmed the internship would run for approximately six weeks; from mid-May to June; and outlined the goals of the program.

Councilmember Wilkins asked about the salary range for the position; and if the City used non-paid interns as well.

Ms. Druga responded between \$5,000 and \$6,000; stated they may do more than one position; and stated staff was working with area colleges.

Assistant City Manager Wilson confirmed that the City used both paid and unpaid interns.

City Manager Westmoreland outlined several intern programs utilized by the City.

Discussion ensued regarding the Fellows Program; and a program utilized by Elon Law School students.

Councilmember Outling requested clarification with regard to financial reports from 501(c)(3) entities.

Mr. Lucas verified that the entity that the City contracted with was held accountable; and made reference to DGI's utilization of Grassroots for events.

(A copy of the Flyer is filed in Exhibit Drawer Z, Exhibit No. 7, which is hereby referred to and made a part of

these minutes.)

**4. Adjournment**

Moved by Mayor Vaughan, seconded by Councilmember Wilkins, to adjourn the meeting. The motion carried by voice vote.

THE AUDIT COMMITTEE ADJOURNED AT 9:45 A.M.

ELIZABETH H. RICHARDSON  
CITY CLERK

NANCY VAUGHAN  
CHAIR