

Governance & Accountability Committee
Tuesday, May 27, 2014 – 12:00 noon
Room 267

Committee Members: David Howard, Chair
LaWana Mayfield, Vice Chair
John Autry
Patsy Kinsey
Greg Phipps

Staff Resource: Hyong Yi, Assistant City Manager

AGENDA

I. City Manager and City Attorney Performance Reviews Process

Staff Resource: Cheryl Brown

Discuss draft process for City Manager and City Attorney performance reviews (attachment)

II. External Audit Timeline Update

Staff Resources: Greg Gaskins and Robert Campbell

Discuss Finance's role in the audit process (*Gaskins/Campbell*) (attachment)

III. Internal Audit Update

Staff Resource: Greg McDowell

Receive as information a monthly status update from Internal Audit (attachment)

IV. Next Meeting

****Monday, June 23, 2014 at 2 PM in Room 280**

Distribution:

Mayor and City Council
Council Team
Greg McDowell
Sheila Simpson

City Manager's Executive Team
Bob Hagemann
Greg Gaskins
Robert Campbell

Corporate Communications
Stephanie Kelly
Cheryl Brown

City Manager's Proposed Evaluation Criteria

- 1. Build Community** consistent with the Mayor and Council's articulated vision, values, and focus area strategies. Ensure that Charlotte is greater than the sum of its parts, a "community of intent" – where people choose to live, work, or visit. A globally recognized and respected community where people are connected, engaged, and informed. Build collaborative relationships with other governmental units, the business community, and other institutions. Performance measures:

 - a. Customer Satisfaction Surveys
 - b. Quality of Life data
 - c. Charlotte's ranking with other top tier cities
 - d. Civic Engagement metrics
- 2. Provide operational leadership** ensuring that City services are provided consistently with the policy direction of the Mayor and Council as expressed through the adopted annual operating and capital budgets and other plans. Engage and respond to the public with strong customer relations. Demonstrate efficiency and effectiveness. Provide stewardship in financial management, protecting the City's triple-A bond rating and financial resilience. Promote innovation and leading practices. Performance measures:

 - a. Balanced Scorecard results for City departments
 - b. Customer satisfaction surveys
 - c. Assessments by the external and internal auditors; evaluations by the bond rating agencies
 - d. Awards and recognition of city services
- 3. Promote Effective Relationships with the Mayor & Council** providing non-partisan, fair, equitable, and constructive support to each elected official, positioning the governing body to succeed as a whole. Foster trust, respect, honesty, collaboration and openness. Work with the Mayor and Council to define problems and focus on desired outcomes. Provide timely communication on major projects, initiatives and critical incidents. Performance measures:

 - a. Assessments by the Mayor & Council
 - b. Responsiveness to Mayor & Council requests
 - c. Proactive strategies to communicate to the Mayor & Council.
- 4. Develop the City government's Workforce** such that Charlotte is an employer of intent, where people feel valued and appreciated. Recommend and implement a compensation system that is internally fair and externally competitive. Promote internal values that create a positive work climate and culture. Recruit and retain high

performing workforce that is reflective of the community. Ensure development at all levels of the organization. Performance Measures:

- a. Employee culture & climate surveys
 - b. Subordinate feedback
 - c. Turnover, retention, and affirmative action measures
 - d. Employee development measures
 - e. Wellness & safety measures
- 5. Special Projects/High Priority Issues – Situation specific**

City Attorney's Proposed Evaluation Criteria:

1. Advise the Mayor and City Council

Provide understandable and high quality legal advice that is unbiased and non-partisan. If the law is clear, advise as such. When, as is often the case, there is uncertainty or shades of gray, advise as such and be creative in identifying and developing options and solutions that will assist rather than frustrate the Council in achieving its objectives. Understand that legal risk is but one of many factors for the Council to consider in making its policy decisions.

2. Respond to the Needs of Individual Elected Officials

Respond to requests for advice or assistance from elected officials in a timely fashion. Be accessible to and meet as needed with elected officials. Treat the Mayor and each member of City Council in a fair and equitable manner.

3. Represent the City's Interests

Professionally and aggressively defend legal challenges to Council decisions and actions of the City and its employees while treating the court, members of the bar, and our citizens with courtesy and respect. If the City has legally wronged a citizen, seek a resolution that is both fair to the citizen and protective of the taxpayer. Clearly and courteously explain the City's legal position to citizens and the media.

4. Assist the City Manager and Staff

Advise the City Manager and his staff as a member of the team. This day-to-day work ranges from providing legal opinions to creatively and collaboratively identifying and developing options for carrying out Council and Manager directives, policy initiatives, and providing effective service to our citizens.

5. Trustworthiness, Honesty, and Integrity

Develop and maintain relationships based upon mutual trust and respect. Adhere to ethical standards that demonstrate honesty and integrity.

Governance and Accountability Committee Annual External Audit

The Governance and Accountability Committee (Committee) is serving as an Audit Committee for the City. The following table can be used by the Committee members to stay abreast of the annual audit process from the planning of the audit through the presentation of the annual financial results to the full Council. The table outlines when actions are required of the Committee and when activity is occurring by City staff that does not require Committee action. The Finance Department will provide a brief update to the Committee at each Governance and Accountability meeting as the audit progresses through to completion.

Timeframe	Task Description	Who?	Task Completed
April	Annual meeting with the Independent Auditors to plan and determine the scope of the audit	Committee, Independent Auditors, Finance	April 28, 2014
June	Chair of Governance and Accountability Committee signs the independent audit contract as required by the Local Government Commission	Committee Chair	
June – July	Independent Auditors perform preliminary work; Committee may identify particular areas, if any, where the Committee/Council would like the independent auditor to focus	Independent Auditors, Committee (as needed)	
July – December	Finance/Financial Reporting staff prepares the CAFR	Finance/Financial Reporting	
August – October	Independent Auditors complete audit work; if needed, Independent Auditors may discuss concerns identified during the audit with the Committee	Independent Auditors, Committee (as needed)	
November	Independent Auditors present results of annual audit to the Committee	Committee, Independent Auditors, Finance	
December – January	Committee reports to the Council on the annual financial statements and Independent Auditor's report. Independent Auditors present their report to the Council.	Committee, Independent Auditors, Finance	

**CITY OF CHARLOTTE
CITY MANAGER'S OFFICE – INTERNAL AUDIT DIVISION**

MEMORANDUM

To: City Manager's Office and Department Directors
From: Greg McDowell, City Auditor
Re: Monthly Audit Update – April 2014

May 1, 2014

Performance Audit Report Issued

Vice Imprest Fund 2013 – It has been the CMPD's practice for many years to request an audit of its Vice Imprest Fund prior to obtaining replenishment. During calendar year 2013, Internal Audit conducted six such reviews. The overall accounting controls in place related to the Vice Imprest Fund are adequate and operating satisfactorily. The accounting for the Imprest Fund and the related case documentation are detailed and complete. However, CMPD supervisory staff have been unable to obtain compliance with important administrative controls (timely completion of documentation), with about 19% of vice transactions classified by CMPD as non-compliant. While auditors noted that adequate procedures exist to resolve these issues, we recommended that CMPD should take additional steps to achieve a higher initial compliance level. We are satisfied with their response, including plans to implement a procedural change which will be strictly enforced.

Audits in Progress

- CATS Blue Line Extension – Consultant's Direct Labor, Overhead and Fees (October 1, 2012 through September 30, 2013) – The consultant, STV/Ralph Whitehead Associates, Inc. (STV/RWA), was notified of this audit in February. In February and March, CATS and STV/RWA supplied the requested documentation. Our review is complete and a draft report is in progress. The final report is expected to be issued in May or June.
- Fare Evasion Fine Collections – At CATS' request, audit staff reviewed records supplied by a CATS contractor which documented losses due to the actions of a former employee of the contractor. In January 2014, a settlement agreement was signed by Central Parking and the City. Internal Audit supported this agreement. The City accepted a reimbursement payment of \$50,750. In August 2013, CATS staff (in place of the contractor) had begun collecting the fare evasion citation fines. Internal Audit has met with CATS' staff to review the new procedure. A draft report was provided to CATS in April. We expect to review the report with CATS and the City Manager's Office in May, with final issuance in June.
- Quarterly Stimulus (ARRA) FY14 – In January 2014, the City was informed of a Congressional action that eliminated the required quarterly reporting. The final report

period for all grants, even those still in process, is December 31, 2013. We have summarized outstanding compliance issues and a draft report is in process. Our final ARRA report will be issued by June.

- Authorized Contracts and Payments – We are reviewing the City’s disbursements to the entities paid the most in FY13 (approximately 50 contractor/vendors each received over \$2 million in payments, plus a few others were selected judgmentally), whether related to a new or existing contract, a Council-approved disbursement or any other process. In April, an initial draft report was discussed with two departments specifically mentioned in the report. A full draft will be shared with management in May with final issuance expected in June.
- City-wide Overtime (July 1, 2009 through June 30, 2013) – We have met with most departments to discuss overtime policies and procedures for each division. After completing our initial testing, auditors met with direct supervisors within several divisions to discuss overtime processes. We met with Budget & Evaluation in April to review preliminary findings, and auditors will be performing some additional analyses in May. A target issuance date has not been determined. (The completion of this audit has been impacted by the reprioritization of staff time to focus on the CATS Fare Evasion audit, and the Citywide Cash Collections audit.)
- Citywide Cash Collections – In January 2014, the City’s external auditor Cherry Bekaert reported to City Council that “Cash collection sites throughout the City are not monitored to ensure internal controls are designed and operating effectively.” Internal Audit announced an audit in February to address this issue. The interview process has begun and auditors are collecting information from all departments involved in cash collections. Auditors will continue to work closely with Finance staff as we conduct the audit. Our goal is to complete the audit fieldwork by June so that we can review our findings and any recommendations with City staff and the external auditor in June or July.
- Employee Travel and Expense Reimbursements – We are reviewing FY13 reimbursements for compliance with City policies and procedures, including travel expenses charged to P-cards. Fieldwork has been extended into May. A target issuance date has not been determined.
- Continuous Auditing Pilot – Once implemented fully, the “Continuous Auditing” approach will allow us to conduct frequent reviews of City data, identify areas of risk, and conduct thorough audits in specific areas. The tests may identify errors or anomalies which occur infrequently, but would become more difficult to correct over time. Although we have developed plans for more extensive testing, our initial report will focus on key missing or invalid data. We will provide a summary report to Human Resources and others by June. Following discussions with management, we will determine whether a periodic reporting model is appropriate.

Other

- Internal Audit is overseeing a contract with the accounting firm McGladrey to review Parking Revenues and Contracting Compliance at Charlotte-Douglas Airport. A draft report is under review by City staff.
- An employee hotline is under development, with possible implementation to occur July 1, 2014. The development efforts were shared with the Governance and Accountability Committee in April. The Committee plans to recommend endorsing an employee hotline, administered by the City Auditor, at the May 5, 2014 Council Meeting. This will provide another mechanism whereby employees may report unethical or illegal acts. Internal Audit, with assistance and support from Human Resources, the City Attorney's Office, CMUD and others, has solicited third-party vendors to operate the hotline, to ensure callers' anonymity. Vendor submittals are currently under evaluation.

glm

Governance & Accountability

2014 Meeting Schedule

4th Monday from 12:00 p.m. to 1:30 p.m. in Room 280
Unless otherwise noted

February 24

March 24

April 28

Tues., May 27*

June 23 @ 2:00 p.m.**

July 28

August 25

September 22

October 27

November 24

December 22

Notes:

* May 26 is Memorial Day, moving meeting to Tuesday

** June 23 at noon is City Manager's Quarterly Briefing – adjusting time