



CHARLOTTE[™]

**City Council
Follow-Up Report**

March 1, 2013

January 7, 2013 – Council Workshop

General Description of Audit Procedures for the Comprehensive Annual Financial Report (CAFR)

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At the January 7, 2013 Council Workshop meeting, a question was asked by Council member Dulin regarding audit procedures performed by the external auditor. A summary of the types of activities performed by the auditor is described below. It should be noted that each audit is tailored to a particular client, but in general, the audit consists of the following types of work.

- Compiling documentation and work papers to support the audit
- Risk assessment including understanding the City's processes; reviewing internal control documentation of key accounting cycles and completing a walkthrough of the key cycles; considering the technology system; testing internal controls; reviewing the City's internal auditors' work; and considering fraud
- General audit procedures including reading Board minutes; considering significant estimates, commitments, subsequent events, and litigation; testing journal entries; and comparing current and prior year amounts for reasonableness
- Specific account audit procedures included, but not limited to:
 - Reconciling subsidiary ledgers including cash, investments, accounts receivable, capital assets, accounts payable, accrued expense, and long term debt to financial statements
 - Externally confirming cash and investment balances; verifying that investments comply with NC General Statutes and that the market values of investments are reasonable
 - Tracing material items to bank statements, subsequent receipts, and subsequent payments
 - Reviewing the adequacy of allowances for bad debts
 - Confirming major revenue sources including property taxes, sales taxes, and major grants
 - Recalculating depreciation expense, accrued amounts, and claims liabilities
 - Searching for unrecorded accounts payable
 - Testing payroll and related expense for reasonableness
 - Confirming bonds, installment obligations and other long term liabilities and testing bond covenant compliance
 - Verifying net asset calculations and classifications
- Single Audit including reconciling the schedule of grants to financial statements; documenting key administrative controls; and testing compliance

In addition, the audit process utilized by Cherry Bekaert, the external auditor, was reviewed by the Public Company Accounting Oversight Board and the State Auditor's Office during 2012. Both agencies gave a clean report. The firm also participates in peer reviews every three years. The last review (2010) indicated that the firm was complying with professional standards.

As discussed during the Workshop, the audit contract utilizes a Request for Proposal process. Fiscal year 2012 was the final year under the contract with Cherry Bekaert. An RFP was issued for Financial Auditing Services in February. It is anticipated that a contract with the successful bidder will be submitted to City Council for approval at the April 22, 2013 meeting.

February 25, 2013 – City Council Citizens' Forum and Business Meeting

North Carolina Open Meetings Law

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At Monday's Citizens Forum, Wayne Powers distributed documents from a lawsuit against the City in the early 1970s and intimated that in holding closed sessions related to the Carolina Panthers, the City was in violation of a court order entered in that lawsuit and/or the Open Meetings Act.

The meeting that Judge Frank W. Snapp found to be unlawful was a meeting in Mayor Belk's office attended by all but one of the council members, a meeting from which the plaintiff and other members of the media and public were barred. Significantly, the Council did not follow statutory procedures for either holding the meeting or for going into executive session.

Unlike that meeting, the closed sessions on the Panthers were part of properly noticed meetings and the Council adopted proper motions for holding the closed sessions. In addition, State law allows the withholding of closed session minutes and transcripts so long as the release would, in the words of the statute, "frustrate the purpose" of the closed session. Since negotiations with the Panthers and the State have not been concluded, it is appropriate to withhold the minutes and transcripts at this time.