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**WEEK IN REVIEW:**

**Monday, Nov. 20**

Noon

Council Zoning Briefing (optional), Room 886

2 p.m.

ED Committee Mtg., Room 280

Agenda: Overview of ED Committee Work

5 p.m.

Zoning Mtg., Room CH-14

The City Council November-December calendar **is attached below.**



Nov-Dec2017.pdf

**DEPARTMENT UPDATES:**

**Nov. 17-18: Five Points Better Block Community Event Tests Comprehensive Neighborhood Improvement Program (CNIP) Project**

*Staff Resource: Erin Chantry, Planning, 704-432-4493, [erin.chantry@charlottenc.gov](mailto:erin.chantry@charlottenc.gov)*

The Historic West End Initiative – facilitated by the City of Charlotte, Charlotte Center City Partners, the Knight Foundation and the Better Block Foundation – is hosting a tactical urbanism event on Friday, Nov. 17 and Saturday, Nov. 18 to test the proposed conceptual design of the Comprehensive Neighborhood Improvement Program (CNIP) Five Points capital improvement project at the Five Points Plaza (intersection of West Trade, State Street, Fifth Street, Rozzelles Ferry Road and Beatties Ford Road).

Council members are invited to attend the following sessions:

- Friday, 5-10 p.m. – Build the Space (Neighbors & Designers)
- Saturday, 10 a.m.-3 p.m. – Enjoy the Space (Food, Shopping, Art & Entertainment)

Better Block is a community-led approach to test ideas for creating great spaces. The Five Points Plaza was identified as a priority project by the community for the West Trade/Rozzelles Ferry CNIP. The project is now being designed and has a concept plan set to go into an engineering phase. Before entering the engineering phase, certain elements of this project – including a performance stage, moveable seating, vendor space, pavement treatment, open space and recreation space – will be tested. Additionally, a model determining who and how the permanent plaza space will be programmed is being tested by the community during this event.

Five Points Better Block is funded by the Knight Foundation and made possible by hundreds of hours of volunteer work by community members. For more information, please visit:

<http://westendclt.com/five-points-better-block/>.

**Internal Audit Report – Limited Scope Audits of Physical Control Over Inventory and CATS’ Bus Operations Division Payroll**

*Staff Resource: Greg McDowell, Internal Audit, 704-336-8085, [gmcowell@charlottenc.gov](mailto:gmcowell@charlottenc.gov)*

In an effort to be responsive to requests, and to provide timely input to control issues, Internal Audit has begun to complete narrowly defined projects, which are termed Limited Scope Audits (LSAs). Such audits may be communicated as a standard audit report, or an internal memo, and later summarized with multiple audits in a combined report.

Audit staff worked with CMPD and CFD to address physical controls over inventory. CATS staff requested an audit review of pay rate changes within the Bus Operations Division. The result of these efforts was to increase the level of internal controls. A copy of the final report is attached below.



Combined LSAs  
Inventory and CATS:

# November

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
			1	2	3	4
5	6	7	8 12:00pm HAND Committee Mtg., Room 280	9 12:00pm ED Committee Mtg., Room CH-14  2:00pm Community Safety Committee Mtg., Room 280	10 Veteran's Day	11
12	13 12:00pm Environment Committee Mtg., Room 280  2:00pm Transportation & Planning Committee Mtg., Room 280  5:00pm Council Business Mtg., Room 267	14 2:00pm Governance & Accountability Committee Mtg., Room 280	15 5:00pm MTC Meeting, Room 267	16	17	18
NLC City Summit Charlotte, NC						
19	20 12:00pm Council Zoning Briefing (optional), Room 886  2:00pm ED Committee Mtg., Room 280  5:00pm Zoning Mtg., Room CH-14	21	22	23	24	25
				Thanksgiving Holiday		
26	27 5:00pm Citizens' Forum/Council Business Mtg., Room 267	28	29	30		

# 2017

# December

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
					1	2
3	4 5:00pm Organizational Meeting (Swearing-In Ceremony), Meeting Chamber	5	6	7	8	9
10	11 5:00pm Citizens' Forum/Council Business Mtg., Room 267	12	13 12:00pm HAND Committee Mtg., Room 280	14 12:00pm ED Committee Mtg., Room CH-14	15	16
17	18 12:00pm Council Zoning Briefing (optional), Room 886  5:00pm Zoning Mtg., Room CH-14	19	20	21	22	23
24	25 Christmas Holiday	26	27 5:30pm MTC Meeting, Room 267	28 12:00pm ED Committee Mtg., Room CH-14	29	30
31						

2017



**CHARLOTTE**<sup>SM</sup>

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**INTERNAL AUDIT**

**Audit Report  
Summary of Limited Scope Audits  
Physical Safeguards Over Inventory  
and  
Bus Operations Division Payroll  
November 16, 2017**

**City Auditor's Office  
Gregory L. McDowell, CPA, CIA**

**Audit Report**  
**Summary of Limited Scope Audits**  
**Physical Safeguards Over Inventory and**  
**Bus Operations Division Payroll**  
**November 16, 2017**

**Purpose and Scope**

This report summarizes two separate, Limited Scope Audits (LSAs), which addressed narrowly defined issues.

- ✚ Physical Safeguards Over Inventory – the audit addressed physical inventory controls at several locations/departments throughout the City. In October, a recommendation was made to CMPD and CFD to consider policy revisions.
- ✚ Bus Operations Division (BOD) Payroll – the audit addressed potential payroll irregularities in the BOD Administrative department. Recommendations were provided to CATS in August.

We conducted these performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended for the use of the City Manager's Office, City Council, and all City Departments.

**Actions Taken and Planned**

Audit recommendations are being addressed, with the effect of improving internal policies. Specifically:

- Regarding Physical Safeguards (CMPD and Fire) – CFD has instituted a policy outlining the performance of monthly inventory counts. CMPD is studying the camera installation, including the most advantageous locations, and will implement camera security once funding is identified.
- Bus Operations Division Payroll (CATS) – CATS oversees the BOD contract concentrating on fiscal responsibility and daily operations performance objectives. A new payroll system incorporates workflow/approvals, preventing an employee from inputting and approving the same pay rate change.

### **Physical Safeguards Over Inventory**

The review included the development, distribution, and evaluation of an internal control questionnaire (ICQ), and the observation of physical controls over inventory at several City locations. CATS Bus Operations Division, CATS Rail Division, Charlotte Water, Charlotte Mecklenburg Police Department (CMPD), Charlotte Fire Department (CFD), and Fleet Management submitted responses to the ICQ.

In FY2016, the City reported over \$10 million dollars in inventory value. Auditors identified several facilities where assets are stored but not classified as inventory – CMPD Logistical Operations, CFD Logistics, and the Innovation and Technology (I&T) Radio Shop. Site visits were performed at these locations to determine the materiality of the inventory.

### **Conclusion**

Based on responses to the ICQ, auditors noted that physical security was adequate at the CATS and Charlotte Water locations. There was a lack of security cameras and controlled access via key cards or badges at the CMPD, CFD, and Fleet Services facilities. Auditors noted sufficient compensating controls (perpetual inventory systems, annual physical counts, and reconciliations) at Fleet Services but make the following recommendations for CFD and CMPD.

### **Recommendations**

- A. CFD Logistics should establish a written policy regarding the performance of periodic/quarterly sample inventory counts and retain records of each count.
- B. CMPD staff should install an access control system and security cameras as funding allows.

### **Response**

- CFD has instituted a policy outlining the performance of monthly inventory counts. These counts are documented and digitally maintained by the Facility Services Coordinator and Division Manager.
- CMPD is studying the camera installation, including the most advantageous locations, and will implement camera security once funding is identified. Renovations will be taking place at 1419 N. Graham St, both interior and exterior. During this time, CMPD will look at providing card access panels.

### **Bus Operations Division Payroll**

CATS requested that Internal Audit review potential payroll irregularities for the Bus Operations Division (BOD) Administrative department of the management company Transit Management of Charlotte, Inc. (TMC). CATS was concerned about payroll transactions for an individual who received two merit increases in the same calendar year and had made entries into the Ceridian payroll processing system which affected the employee's own pay.

Auditors reviewed Ceridian payroll transactions FY14 through FY16 to identify employees who had received more than one annual pay raise. A sample of the employees with multiple raises was tested. Auditors noted those adjustments were adequately supported. Regarding the changes for the payroll manager, three pay change forms contained dates and/or amounts that had been altered. Only one of the changes was initialed to indicate who had altered the form. These changes, coupled with the lack of segregation of duties, are/were questionable; however, TMC management stands/stood behind the validity of the pay changes made.

Internal Audit annually audits payroll of the Bus Operations Division (BOD) for non-administrative employees. During the FY17 annual BOD audit, auditors examined a sample of payroll transactions for BOD administrative staff. All pay changes were adequately supported.

A new payroll system, Paylocity, was implemented in August 2017. During a preliminary review of administrative staff pay changes, auditors noted the new system has expanded capabilities. These include a workflow for pay change approvals. Further testing of the new payroll system will take place during the FY18 audit.

During the review, auditors became aware of a TMC compensation adjustment policy. The TMC General Manager stated that the policy was prompted by a comment from the US Department of Labor's Office of Federal Contract Compliance. TMC stated that no formal report had been issued.

### **Recommendations**

- A. CATS should follow up with BOD regarding the audit conducted by the Office of Federal Contract Compliance (US Department of Labor) to determine the scope of the review and the outcome.
  
- B. To the extent allowable by the current contract provisions and applicable laws, CATS should review payroll adjustments for administrative employees for reasonableness. CATS should also review the Compensation Adjustment Policy to determine if the policy adequately addresses compensation concerns.



CATS Response

- CATS will follow up on the audit conducted by The Office of Federal Contract Compliance and the scope of work.
- CATS oversees the BOD contract concentrating on fiscal responsibility and daily operations performance objectives. This audit request was to address a flaw noted during CATS' review of the pay rate change business process. The new payroll system incorporates workflow/approvals preventing an employee from inputting and approving the same pay rate change. The results of a recent market salary survey for current administrative staff salaries are being evaluated.