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## INFORMATION:

### **Fiscal Year 2012 Audit Summary**

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**Attached (see "2. Audit Summary.pdf")** is the Fiscal Year 2012 Audit Summary prepared by the Internal Audit division of the City Manager's Office. Internal Audit staff completed several performance audits during fiscal year 2012. A significant effort was made to follow-up a previously issued procurement-related report, and concerns identified in that audit have been satisfactorily resolved. Reviews related to CATS south corridor light rail construction have been completed, with Internal Audit supporting actions initiated by CATS staff to address findings and recommendations. Internal Audit continues to support the City's efforts to properly report and manage American Recovery and Reinvestment Act (ARRA) funds. Summaries of the thirteen audits completed during the fiscal year are attached, along with the status of audits in progress at year-end.

### **Property Improvements at 6<sup>th</sup> and Tryon Streets**

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Staff has been working with the Foundation For The Carolinas (FFTC) on a proposal to make improvements to the City-owned property in front of the Carolina Theatre at the corner of 6<sup>th</sup> and Tryon streets. After discussion with FFTC, Charlotte Center City Partners and CMP Carolina Theatre, LLC, City staff is proceeding with making temporary site improvements to the property.

FFTC has submitted a proposal to the City for adaptive reuse of the Carolina Theatre and the property in front of the building. The proposal will be considered in the Council's Economic Development Committee on August 16 along with the proposal from CMP Carolina Theatre, LLC. As part of their proposal, FFTC has offered to display outdoor sculptures on loan from philanthropists Sonia and Isaac Luski. Whichever of these proposals the Council accepts, if either, each will take several years to implement. Instead of having the vacant lot in its current condition for the next few years, a partnership with FFTC provides a cost-effective opportunity to improve that vacant lot.

The City will use existing City employee labor, materials and resources to make modest improvements to the site. Improvements will include landscaping, pavers, benches, temporary lighting, and perhaps fencing. The purpose is to make temporary improvements and showcase art for the benefit of the public at a prominent location along Tryon Street.

Proceeding with the temporary improvements at 6<sup>th</sup> and Tryon does not impact the Council's consideration of the long - term adaptive reuse of the Carolina Theatre. CMP Carolina Theatre, LLC also is supportive of the project. If the Council's Economic Development

Committee and then the City Council select a proposal or use for the Carolina Theatre inconsistent with the temporary improvements, then the improvements can be modified or removed at a later time.

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

**MEMORANDUM**

To: W. Curtis Walton, Jr., City Manager

July 16, 2012

From: Greg McDowell, City Auditor

Re: Fiscal Year 2012 Audit Summary

The Internal Audit Division has completed several performance audits during fiscal year 2012. A significant effort was made to follow-up a previously issued procurement-related report, and concerns identified in that audit have been satisfactorily resolved. Reviews related to CATS south corridor light rail construction have been completed, with Internal Audit supporting actions initiated by CATS staff to address findings and recommendations. Internal Audit continues to support the City's efforts to properly report and manage American Recovery and Reinvestment Act (ARRA) funds.

At fiscal year-end, audits in progress include the initial review of the CATS Blue Line Extension (BLE) contract with STV, Inc.; Payroll, Purchased Assets and Vendor Authenticity. An audit of the ERP's implementation process was completed in June 2011, and audit staff continues to monitor progress.

The following audits were completed during FY 2012. Reports issued between July and December 2011 were previously addressed in the mid-year summary and are updated as appropriate.

- Procurement Follow-Up: Utilities (October 2011 and June 2012); CMPD Uniforms Unit Pricing (January 2012)
- CATS: Bus Imprest (October 2011); STV-ODC Billings (December 2011); STV Direct Labor, Overhead and Fees, 2003-2009 (June 2012)
- ARRA: Stimulus Reporting in FY11 (September 2011); ARRA-COPS (November 2011)
- Managed Competition: For Solid Waste Services, completed two periodic audits and one budget review
- Taxes: Charlotte Business Taxes Collected by Mecklenburg County (February 2012)
- Vice Imprest (March 2012)

**PROCUREMENT FOLLOW-UP**

*Utilities Procurement and Contract Audit (October 2011)* – The audit was designed to determine how effectively Charlotte-Mecklenburg Utilities (Utilities) had addressed procurement issues identified in the audit report issued July 2009, and to conduct a limited review of contracting processes. Some GIS-related contracts were specifically reviewed.

Since our report in July 2009, Charlotte-Mecklenburg Utilities made considerable efforts to address previous non-compliance with City procurement policies. While a few contracts remain to be executed, steady progress was made through fiscal years 2010 and 2011 to bring 16 of 20 vendors under contract. Each of these contracts required a significant commitment of resources to complete an RFP and evaluation process. An additional two vendors were brought under contract in early FY2012, and two are expected to be addressed in the next few months.

During this follow-up audit, we expanded our scope to perform a limited review of contract management. We focused on GIS-related contracts because we received allegations of improprieties with specific contracts. The information was received in November 2010, along with a request from the City Manager's Office to perform a review. After an initial review of documentation and some preliminary interviews, we concluded that the allegations appeared to have merit and required a more detailed review. For efficiency, we combined that review with the scheduled procurement follow-up and conducted both efforts between March and September 2011.

With respect to the GIS-related contracts, we concluded that Utilities violated City policies and did not follow best practices. Our detailed findings and recommendations address a number of actions taken between the years 2003 and 2009, including the following: excess usage of direct pay processing, unjustified sole sourcing, poor documentation of contractor selection process, and an ill-advised positioning of a subcontractor/contractor relationship.

In the past, the City's accepted practices included a significant number of direct pay relationships with vendors, in lieu of full contracting processes. Some of these practices had been tolerated because the City's limited information systems capabilities did not facilitate best practices. That is, a vendor's aggregate payments, purchase orders and contracts within a KBU or throughout the City could not be readily obtained.

Several years ago, KBUs began working together with assistance from BSS – Procurement Services Division to identify vendors the City annually paid \$100,000 or more, in aggregate. For example, five KBUs might each purchase \$50,000 from the same vendor, without the benefit of competitive pricing which could be derived by pooling information and conducting one RFP. Many City-wide procurements have been facilitated by BSS-PSD and completed in the past few years.

While direct pays had become accepted throughout the City, our 2008 and 2009 KBU-specific audits found that the approach was most pronounced at Utilities and one other KBU. At Utilities, this was not limited to the GIS contracts. However, a now-former employee reported that the direct pays to GIS contractors, and other actions appeared suspicious. Audit staff investigated each allegation but could not corroborate the charges. Nevertheless, a number of recommendations have been made to improve operations and avoid the appearance of favoritism in the contracting process. The remaining issues are addressed in detail in the full report. We are satisfied with Utilities' responses and will monitor management's action plans to ensure the issues have been resolved.

Update: Utilities provided a formal response to the City Manager's Office in mid-November 2011. Utilities indicated its intent to continue to formalize purchasing agreements where necessary and to work with applicable City divisions to implement consistent City purchasing policies and business practices. Internal Audit scheduled a follow-up to review Utilities' progress in 2012 (see below).

CMUD Procurement Follow-Up (June 2012) – We have completed an audit designed to determine how effectively Charlotte-Mecklenburg Utilities Department (CMUD) had addressed procurement issues identified in the October 2011 audit report. That report listed six vendors, each with total payments in a fiscal year that exceeded the Director's authority. During the current review, we examined procurement activities with these vendors to determine that CMUD monitored purchases and obtained appropriate approval authority. We evaluated FY12 expenditures for compliance with City procurement policy. We also inquired with CMUD regarding its current documentation retention practices for contract solicitations and awards.

Conclusion: We are satisfied with the actions CMUD has taken to address audit concerns raised in October 2011. All vendors previously identified as requiring contracts have been submitted to Council and approved. CMUD has developed a process to monitor expenditures and comply with Council-approval requirements. The Department also has formalized its documentation retention practices.

Unit Pricing of CMPD Uniforms (January 2012) – We have completed a review of the 2004 Best Uniforms contract with CMPD for the period August 2008 through August 2010 (contract years five and six). In its June 2010 report, Internal Audit noted concerns related to CMPD's contract administration efforts and financial controls. This audit is a follow up to that review.

Since the issuance of the June 2010 audit report and the commencement of a new contract, CMPD has improved administrative controls related to uniform purchases. The current contract addresses the process required to add items not originally included on the bid tab (which becomes a part of the contract). Best Uniforms is required to notify CMPD in writing immediately if a contracted item's style number or manufacturer name is changed. Further, the notification must include the previous and revised product information before it is included on an invoice. However, for the period covered by the previous contract, monitoring was not sufficient to protect the City from overcharges resulting from variations in pricing of both contract and non-contract items.

Internal Audit completed a detailed analysis of items purchased by CMPD for the final two years of the 2004 contract. Purchases for that period totaled about \$1.8 million. Of that amount, Internal Audit determined that CMPD overpaid Best Uniforms by about \$64,600. The detailed findings address overcharges on contract items (\$21,600), excessive charges related to non-contract items (\$28,000), and unauthorized charges related to oversized items (\$15,000).

While Best Uniforms over-billed CMPD, and CMPD staff did not adequately monitor the 2004 contract to address the overbillings in a timely fashion, that contract properly allowed Internal Audit to address the accuracy of billings following the contract termination. We limited our review to the final two years of the six-year agreement. While additional auditing could be conducted, that cost would be borne by the contractor. Based upon our audit experience with Best Uniforms to-date, additional auditing would be time-consuming and costly. Therefore, we recommended that the City negotiate a reasonable settlement of estimated overpayments before incurring those additional costs.

Due to population variances, statistical projections to determine the total errors made during the life of the contract are unreliable. However, the 3.6% error rate during the audit period can be used to estimate the total overpayments. Section 38.1 of the contract also provides for the City to recover the cost of the audit, since the audit concluded that over \$10,000 should be recovered.

*Update:* The City Attorney's Office and CMPD have scheduled a meeting with Best Uniforms for late July to address the recovery recommendation. Internal Audit recently provided Best copies of past documents, due to staff changes within Best.

## **CATS-RELATED**

*CATS Bus Operations Division Imprest FY11 (October 2011)* – The purpose of this audit was to determine whether the City has reimbursed the bus operations management company accurately and the funds have been disbursed properly. The City's outside auditor, Cherry, Bekaert & Holland, L.L.P. (CB&H), performs agreed-upon procedures related to the Bus Operations Division (BOD) that cover the inventory of buses, bus parts and payroll. The work performed by Internal Audit is provided to CB&H auditors for their review.

Overall, the system of controls used by the Bus Operations Division is satisfactory. The wire transfers are accurately recorded, and the reimbursement requests are adequately supported. In response to audit recommendations for FY10, revised procedures ensured the timeliness of deposits. Also, necessary changes have been made to comply with the federal and state laws for garnishment.

However, even though procedural changes were made in FY08 and FY11 to ensure there are adequate funds to cover outstanding checks, the Bus Operations Imprest Fund had a negative balance one day during FY11. Due to a banking error, a wire transfer was posted to the account on the day that the call was made to request the transfer, rather than the date the transfer was due to be paid. Errors can and do occur, and the BOD should closely monitor the balance in the imprest account to assure that a negative balance does not occur as a result of one of these errors. New procedures have been implemented to monitor the account online on a daily basis.

N.C. General Statute §95-25.8 states that in order for employees' wages to be withheld, the employer must obtain a written authorization from the employee signed before the applicable payday. The authorization must indicate the reason for the deduction and the actual dollar amount or percentage of the wages of the deduction. A valid authorization could not be located for 55 (8%) of the 733 deductions reviewed during the audit. In response, changes for the current fiscal year have been made to deal with concerns with the authorizations addressed in the findings of this report. Satisfactory plans have been made to address each audit recommendation. This audit is performed annually and includes a follow-up of previous recommendations.

Update: The FY12 audit is underway, with previous recommendations under review.

CATS-STV Project Billings FY08 and FY09 (December 2011) – We have completed another in a series of audits related to the South Corridor Light Rail construction. This audit addressed the other direct costs (ODCs) portion of STV North Carolina, Inc.'s (STV) billings (for itself and two of its subcontractors, WPC Engineering and Stewart Engineering) from July 2007 through February 2009.

For the period audited, STV submitted invoices totaling about \$5.2 million, of which \$1.6 million was for ODC charges. The STV and WPC other direct cost charges of \$731,000 and the administrative charges billed by Stewart of \$250,873 totaled \$981,873 or about 19% of the total billings. We proposed disallowing about \$72,000 or 10% of the other direct costs reviewed. It is possible that STV will supply additional documentation to support some of these charges after CATS addresses our report findings with them. In addition, we continued to question the \$250,873 in administrative charges billed by Stewart. In an audit report issued in April 2010, auditors recommended that CATS review similar charges for propriety since the costs were not supported by adequate documentation. CATS subsequently indicated to Internal Audit that it had deemed the charges appropriate. Internal Audit also noted that STV had not submitted charges to CATS within the timeframe stipulated in the contract.

Update: CATS provided a written response to the City Manager's Office in early January 2012. This is the third and final ODC audit related to STV and its subcontractors on the South Corridor Rail Line. STV responded to the initial report, and Internal Audit is completing a final review of the documentation. Audit plans to meet with CATS to review final recommendations in August.

CATS – STV Direct Labor, Overhead and Fees; 2003-2009 (June 2012) – We have completed an audit of STV's Direct Labor, Overhead and Fees for its South Corridor Light Rail contract covering October 2003 through January 2009. For the period audited, STV submitted 64 project-related invoices to CATS totaling \$22,702,341. Auditors reviewed direct labor charges of \$6,480,523 and overhead and fees of \$8,369,293. The audit did not include a review of other direct costs which totaled \$7,852,525 and have been addressed separately.

After addressing questioned costs to STV and receiving additional documentation, auditors concluded that CATS had been overbilled \$240,538, or approximately 1.6% of combined direct labor, overhead and fees. STV concurred with our conclusion. As is typical in contracts involving federal funding, the contractor used a provisional overhead billing rate, which is adjusted to the actual rate following completion of a financial audit. We recommend annual adjustments be made to provide for more timely reconciliations in the future. Addressing these rates regularly reduces the cumulative impact of an adjustment which is otherwise made several years following the project initiation. CATS has agreed to begin conducting annual overhead reviews for prime contractors in FY13, and further, will hold the prime responsible for conducting similar overhead reviews of its subcontractors. Internal Audit concurs with this approach. Finally, we address CATS' documentation of invoice reviews, which did not appear to be completed on a timely basis. CATS has implemented a workflow process which addresses our concern.

Conclusion: The audit determined that STV needed to reimburse CATS for unreconciled overhead adjustments related to the years 2003 through 2009. The adjustment totals 1.6% of applicable billings, which is typical in federally funded construction projects. However, reconciliations are more effective when they are conducted annually. CATS agrees and has implemented an appropriate process to control prime contractor overheads and the subcontractors. CATS has implemented additional controls and procedures which we support.

### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Stimulus (ARRA) Reporting FY11 (September 2011) – To comply with Federal guidelines, a quarterly report (known as the “1512” report) detailing the costs and jobs associated with the grant must be completed. Internal Audit has completed a review of Stimulus 1512 reporting for the fourth quarter of FY2011.

During fiscal year 2011, grants to the City of Charlotte from Federal agencies increased from \$50.2 million to \$112.4 million. In addition, the City was sub-recipient to grants totaling \$11.2 million, an increase of \$1.8 million from the prior year.

Although minor adjustments were required in subcategories, controls helped ensure accurate reporting of total expenses. We have recommended that a log of all errors be maintained and reviewed regularly by the Economic Stimulus Team (EST). In addition, Project Managers (PMs) should provide written verification to the EST coordinator that the GEAC reconciliation has been completed timely.

As grants near completion, PMs should expect additional review from Federal and State auditors, especially related to debarment documentation and subrecipient monitoring. We have recommended that PMs review, and as needed, update the required documentation to comply with federal guidelines.

Update: The EST coordinator accepted the audit recommendations and implemented the necessary steps to improve controls. Quarterly reviews have been conducted, and the overall FY12 audit will be completed in the next few months.

COPS ARRA Grant (November 2011) – Internal Audit reviewed the COPS Hiring Recovery Program Grant funded by the American Recovery and Reinvestment Act of 2009 (ARRA).

The audit focused on the project from inception through June 30, 2011. The purpose of the audit was to evaluate internal controls, compliance with ARRA requirements and the accuracy of ARRA reporting. Overall, internal controls are in place as:

- Project costs were reported accurately,
- Agency reports filed timely, and
- Monitoring was satisfactory.

However, minor variances in payroll costs were found. We were satisfied with CMPD's response to the audit recommendations.

## **MANAGED COMPETITION AUDITS**

Internal Audit staff completed two periodic audits and one budget review of Solid Waste Services (SWS). Also completed were final gainsharing payout reviews for Charlotte Mecklenburg Utilities. Specifically:

- Solid Waste Services Benchmark FY12 Budget (August 2011) – The SWS residential model has transitioned from managed competition and optimization in FY10 to benchmarking in FY11. Prior to FY11, the North, South and East Districts of the City were serviced by SWS staff and the West District was contracted out. Effective July 1, 2010, refuse, yard waste and bulky collection services are being performed by SWS City-wide, while recycling is being performed by a contractor.

We have performed quarterly audits of SWS City-wide Services operations through March 31, 2011. SWS staff used these quarterly audits, along with unaudited fourth quarter results to project total FY11 costs. SWS staff then built a budget for FY12, which we reviewed. In our opinion, the SWS benchmark proposal for FY12 is reasonable and conforms to the Council's "Guidelines for Services Contracting" policy statement adopted in 1994 and revised in 1997.

- SWS City-wide Services @ 6/30/11 (September 2011) – Internal Audit found that SWS had accurately compiled its costs of operations for city-wide services. For the quarter ended June 30, 2011, operations were over budget by \$70,948, or 1% of revenues. Fiscal year-to-date operations were under budget \$789,073, or 4% of revenues.

The SWS residential model has transitioned from a managed competition and optimization in FY10 to city-wide service in FY11. Prior to FY11, the North, South and East Districts of the City were serviced by SWS staff and the West District was contracted out. Since July 2010, refuse, yard waste and bulky collection services have been performed by SWS City-wide; while recycling is being performed by an outside contractor.

- *SWS Benchmarking Six Months Ended 12/31/11 (April 2012)* – For the six months ended December 31, 2011, Internal Audit found that SWS had accurately compiled its costs of operations for city-wide services. After recommended audit adjustments of \$72,611 increasing savings, operations were under budget by \$143,161, more than 1% of revenues totaling nearly \$10.5 million.

During the six months, approximately 209,582 households were served, and a total of 119,035 tons of solid waste was removed. The adjusted cost of service per household for the six months was \$8.28, as compared to the budget projected service cost of \$8.35. The cost per ton removed was \$87.52 for the six months.

- *Charlotte Mecklenburg Utilities:* The final gainsharing payments were reviewed by Internal Audit for CMU Wastewater Optimization (WWO) years ended June 30, 2009 and June 30, 2010 as well as CMU Irwin Creek WWTP for the year ended June 30, 2010. Currently, CMU has no services under managed competition or optimization.

## **TAXES**

*Business Taxes (February 2012)* – We have completed a review of the City's business tax revenues. These revenues are collected by and received from Mecklenburg County's Business Tax Collections (BTC) Office of the Mecklenburg County Office of the Tax Collector (OTC). Business taxes include Business Privilege License Tax; Heavy Equipment Rental Tax; Occupancy Tax; Prepared Food & Beverage Tax; and Vehicle Rental Tax. This audit focused primarily upon the Business Privilege License and Prepared Food & Beverage taxes.

Government Auditing Standards (§8.11) require disclosure of the following. The scope of our audit was significantly limited by auditors' inability to access records maintained by the County. Initially, County officials provided City audit staff access to its Biz Tax system. However, during the audit the County discontinued any further access, following the receipt of a County Attorney's opinion. (The report details the rationale for the approach taken following the placement of limitations upon our audit.) While our findings are adequately supported, additional findings and conclusions may have been determined if we had been able to continue reviewing tax data directly.

Conclusion: While the County collects significant business tax revenues for the City (approximately \$72 million in FY11), additional revenues may go uncollected due to non-compliance by companies that are required to self-report their taxable income.

**Summary Results:** Voluntary compliance with Business Tax requirements, along with the County's efforts to discover and collect unpaid taxes, results in the majority of business taxes being collected in a timely manner. However, audit tests indicated that additional revenues in the range of 5-15% may go uncollected in some categories of Business Taxes.

We compared Prepared Food & Beverage Tax records to Health Department records and referred a number of potential non-paying businesses to the County Tax Collector. Similarly, we compared the Business Privilege License Tax (BPLT) records to the City's database of vendors and referred potential non-compliant businesses to the County Tax Collector. (Research must be conducted to determine that such businesses are currently operating, and whether payment may have been made under another business name.)

A specific review of 175 ARRA recipients identified 34 vendors who were not current on the BPLT requirement during the audit. At the conclusion of the audit, 24 (14%) remain uncollected.

Auditors identified a monthly vehicle rental tax payment that was several months late in being remitted by the County. The payment was promptly resolved when brought to the County's attention. City Finance has implemented additional monitoring steps to identify any lateness in the future. Finally, we recommended that City Finance discuss with the County a more effective approach to auditing the business taxes on the City's behalf.

*Update:* Finance responded to the City Manager, noting their agreement with the recommendations. Finance has re-drafted the City purchase order language, with input from Legal. Discussions with the County are pending.

## **POLICE**

*Vice Imprest 2011 (March 2012* – 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 2011, Internal Audit conducted five such reviews. We are satisfied with the level of controls in place related to the Police Department's Vice Imprest Fund. We recommended (and CMPD agreed) that a reimbursement should be requested by the Department close to Fiscal Year-End to ensure an accurate reflection of usage on a year-to-year basis.

**FOLLOW-UP** (Selected audits from prior years are summarized in this section.)

### **CATS CONSTRUCTION FOLLOW-UP**

From 2006 through 2011, we conducted several audits of PTG and its subcontractors. Some audits noted that CATS had disallowed certain expenses during the initial review of invoices. Internal Audit reviewed and supported those disallowances, but also encouraged CATS staff to conduct more rigorous reviews. Most of the audits questioned a small percentage of charges and recommended various recoveries. Occasionally,

recommended recoveries were substantial. In some instances, contractors resolved the questioned costs by submitting appropriate documentation which had not been provided during the audits.

CATS has collected on the following recommended disallowances: \$83,011 from PTG and STV (Other Direct Costs through 2004); \$174,145 from PBS&J (Labor, Overhead and Fees, 2003-2006). We understand that CATS Legal is in discussions with PTG to resolve a number of contractual claims, including issues raised in past audits. Based upon our discussions with CATS Legal, we are satisfied that CATS is appropriately pursuing recoveries and audit findings are being adequately addressed.

#### PROPERTY TAXES FOLLOW-UP

Property Taxes Received Via County (December 2009) – We reviewed Mecklenburg County’s property tax processing control environment, along with the accuracy and timeliness of wire transfers for collections received by the City from the County. In addition, we reviewed the City-County “Restated Consolidated Shared Programs Joint Undertaking Agreement” (Agreement) entered into July 1, 2001, for adherence to key provisions. We reviewed processing before and after the County implemented new property tax software in July 2008. The audit conclusion follows:

The City relies on the County to collect and transfer the City’s share of property taxes. While it is cost-effective and practical to combine City and County property tax collections, the City needs to take additional steps to ensure that its interests are protected. The Consolidated Shared Programs Joint Undertaking Agreement should be amended to address issues identified during this audit. County Finance’s responses have addressed most of the concerns raised in our report. However, the City needs to impress upon the County its interests in having a post-implementation review related to the new tax software conducted promptly, along with a commitment to timely transfer the City’s portion of taxes in accordance with the Joint Undertaking Agreement.

Actions Taken: The County retained the Accounting/Consulting firm KPMG, which conducted a Post-Implementation Review during the latter part of calendar year 2010. A final report was prepared and shared with the City. In June 2011, the County shared an update addressing KPMG-identified risks and the County’s responses. In addition, County Finance provided the following information in response to City Internal Audit questions:

- The County will continue to reconcile exception items at least annually. (The County had provided a reconciliation at the end of fiscal year 2010, which indicated that improved lockbox processing and quicker resolution of refund items was keeping balances lower.)
- The County Internal Audit Department plans to audit the County Tax Office in FY2012. The County Internal Auditors had reviewed internal controls over

cash processing in 2008, following a defalcation. Due to numerous process changes, we had recommended a follow-up effort to address controls.)

- *Update:* We recently obtained the County Internal Audit and are reviewing its findings.

### **Audits in Progress @ 6/30/12**

- Payroll – Audit field work began in March and has been ongoing. We will discuss preliminary findings with Human Resources in July or August and develop a completion schedule thereafter.
- CATS: Blue Line Extension – STV Direct Labor, Overhead and Fees (May 2008 through December 2011) – STV was notified of this audit in January. In March, CATS and STV supplied the documentation needed for our testing selection process. Our review has begun and we have received additional documentation for specific testing from STV. We anticipate a draft report being issued in August.
- Quarterly Stimulus Audit Work – We are planning our work for the quarter ended June 30, 2012. Following completion of the review of this quarter's results, we will prepare our annual report.
- Purchased Assets – An audit to verify the existence and safeguarding of recently purchased assets has begun. Phase one is complete. It included an initial sample of items at various dollar thresholds. For phase two, we will expand our review to include more recent fixed asset purchases. We anticipate beginning the second phase in August.
- Vendor Authenticity – Our testing of City vendors is in process and includes both active and inactive vendors in GEAC. Our work will continue through August. A report target date has not yet been determined.
- Bus Operations Division Imprest FY12 – The purpose of this annual audit is to determine whether the City has reimbursed the bus operations management company accurately and the funds have been disbursed properly. The City's outside auditor, Cherry, Bekaert & Holland, L.L.P. (CB&H), performs agreed-upon procedures related to the Bus Operations Division (BOD) that cover the inventory of buses, bus parts and payroll. The work performed by Internal Audit is provided to CB&H auditors for their review. The audit work began in June and will continue through August. We usually provide a draft report for discussion with CATS in October or November.