

Bowling Green Audit Committee
Regular Meeting
January 12, 2015

The Bowling Green Audit Committee convened in a regular meeting at 3:30 p.m. on January 12, 2015 in the City Hall Commission Chamber. The meeting was called to order by Chair Cristi Pruitt. Members of the Committee present were: Audit Professionals David McKillip and Cristi Pruitt, General Business member Scott Gary and Ex-Officio member City Manager Kevin DeFebbo. Absent: Business member Tony Witty and City Commissioner Joe Denning. Also present were Chief Financial Officer Jeff Meisel, License Division Manager David Lyne, Business Tax Auditor Jennifer Phillips, Internal Auditor Deborah Jenkins and Assistant City Clerk Ashley Jackson. There was a quorum of the board present.

Approval of Minutes.

Chair Pruitt announced that the first item of business was to approve the minutes of the November 20, 2014 special meeting, which was mailed with the agenda to the members for their review prior to the meeting. Motion was made by Mr. McKillip and seconded by Ms. Pruitt to accept the minutes as written. The minutes were approved as written by unanimous vote.

Presentation of the License Division Operational Audit.

Ms. Jenkins introduced Chief Financial Officer Jeff Meisel, License Division Manager David Lyne and Business Tax Auditor Jennifer Phillips. She provided some history of the License Division and a summary of the objectives of the divisions operational audit which was to evaluate the adequacy of internal controls as well as the efficiency and effectiveness of operations related to: 1.) net profit fees; 2.) wage withholding and wage reconciliations; 3.) Business License registration process, and 4.) delinquency notices, returned mail and refund processing. Ms. Jenkins said that there were five recommendations identified within her report to improve the operations within the division. The recommendations and management responses are as follows:

- 1. Business practices should be reviewed by management to ensure that effective transaction audits and process monitoring is occurring in order to streamline work and maximize productivity of the division.**

Management Response: For the businesses that had failed to submit annual reconciliations for wage withholdings and W2 copies, the License and Treasury Divisions staff are following up and ensuring that appropriate codes are entered to verify receipt of the completed reconciliations. As for a large amount of returned mail due to incorrect addresses, the License Division agreed to work to instruct staff to take notice to address change information and hopes the State's revised standardized net profit form would provide a better location for address change information. Also, the overall transaction auditing and review will be analyzed by the Treasury and License Divisions to determine if there are ways to give more time for audits of Net Profit returns and 1099's. It was noted that through the Chapter 18 (Occupational License Fees and Taxes) of the Code of Ordinances 1099's may be requested from a business and the Chief Financial Officer agreed to look into requiring all business to submit their 1099's to the City.

- 2. The License Division should create clearly written policies and procedures to standardize processes, allow for adequate cross training and coordinate work time to ensure citizens can be assisted during all the City's posted working hours.**

Management Response: The License Division utilizes Chapter 18 of the Code of Ordinances to provide authority and regulate the Division however there are many changes that arise within Chapter 18, as well as tax rates, types of licenses and federal laws. These changes are provided through various communications within the Division and processes that can be standardized, documents have been developed. Management confirmed they would update and compile documents that were easily accessible and review the procedures conducted with staff to ensure consistency. It was further explained that the License Division Manager and Business Tax Auditor have extensive training from the State Alcohol Beverage Control and due to the complexity of the State application and process it takes, the two trained and experienced staff members are the primary contacts. In order to meet the recommendation, cross training will be provided to additional staff to enable them to print alcohol applications for citizens, and for assistance with the completion of applications or detailed questions, a person would still be required to see the License Manager or Business Tax Auditor.

3. Management needs to create appropriate performance measurements to increase the timeliness of operational processes.

Management Response: Individual performance measurements are established by the License staff and those measurements are monitored by the License Manager throughout the annual review period. The measurements will be reviewed by management for developing additional key performance measurements for reporting in the City's Annual Operating Budget. In addition, the License Division will continue its practice of coordinating lunch coverage in order to meet the goal for a five minute response time. A new software implementation for the Division would be of further assistance when processing applications in a timely manner.

4. The software solution currently utilized should be replaced with a more robust system which integrates with the City's financial software and allows for electronic submission of applications and payments.

Management Response: The Business Occupational License and Tax (BOLT) system was developed in 1994 and the system does not have the ability to integrate with the City's financial software or the ability to allow for online applications or payments. A new system is expected to be developed and will require custom development. License staff is working to prepare a Request for Proposal to software companies.

5. Management should ensure that all PCI (Payment Card Industry) Standards are being met with any credit card payment received by the division.

Management Response: The staff of License, Treasury and specifically the License Associate that conducts the scanning, have all been refreshed and trained to delete all credit card information before scanning occurs. Pursuant to PCI Standards no credit card information should be scanned, regardless of the restricted access.

Chair Pruitt mentioned outsourcing the Business License processing of credit cards and Mr. Meisel confirmed they had not looked into that, but could be something to consider. Ms. Jenkins confirmed that she would follow-up on this audit in approximately two years, following a new business license system being in place.

Mr. Gary suggested with tax season being here, if the City could send public service announcements or notify CPA's and Tax Auditors of the appropriate tax regulations and laws. Staff

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stated they would look into that request. Ms. Jenkins recommended working with our Public Information Officer.

Presentation of the 2014 Annual Report.

An Annual Report prepared by Ms. Jenkins was discussed and briefly summarized. The report provided the Internal Auditor’s activity summary for 2014. Ms. Jenkins explained that she completed the Fleet Division follow-up and License Division operations audit for Calendar Year 2014, and was currently working on the revenue audit for the Sloan Convention Center. She further reported that the TimeClock system was implemented in 2014, and all departments were utilizing the system with the exception of the Fire Department. The Information Technology Department was waiting for a software upgrade that could handle the unique fire schedules, which is due to come out in 2015. It was also mentioned that she received one report from the Ethics Hotline in 2014, and she was preparing to schedule a fraud prevention training to remind staff.

Furthermore, she reported her yearly audit activity summary. The indirect audit time included holiday, vacation, sick time, personal time, employee appreciation, training, administration and Fraud Awareness presentations, for a total of 32%. The direct audit time included the unannounced cash counts, audit follow-up, Audit Committee/External Audits, Employee Ethics Hotline, advisory services, Risk Assessment/Audit Plan and special requests, for a total of 68%.

The next quarterly meeting to be rescheduled to April 13, 2015.

Ms. Jenkins announced the next regular scheduled meeting date and time.

Adjournment.

There being no other business to be conducted, at 4:40 p.m. Chair Pruitt declared the meeting adjourned.

Date Approved

Cristi Pruitt, Chair

Ashley Jackson, Assistant City Clerk

Minutes prepared by Assistant City Clerk Ashley Jackson.