

Bowling Green Audit Committee
Special Meeting
August 6, 2007

The Bowling Green Audit Committee convened in a special meeting at 3:30 p.m. on August 6, 2007 in the City Hall Commission Chamber. The meeting was called to order by Chairman Charles Hays. Members of the Committee present were: Audit Professionals Charles Hays and Harold Wills, General Business members Jean Cherry and James Martens, Commissioner Brian Strow and Ex-Officio member City Manager Kevin DeFebbo. Also present were Internal Auditor Deborah Jenkins and Assistant City Clerk Ashley Watt. There was a full quorum of the board present.

Approval of Minutes.

Chairman Hays announced that the first item of business was to approve the minutes of the July 2, 2007 special meeting, which were mailed with the agenda to the members for their review prior to the meeting. Motion was made by Mr. Martens and seconded by Mr. Strow to accept the minutes as written. The minutes were approved as written by unanimous vote.

Presentation of FY07/08 Risk Assessment and result Audit Plan.

Ms. Jenkins first discussed the Fiscal Year 2007/2008 Risk Assessment and Audit Plan results. She specifically emphasized the principles of risk assessment and audit plan development, the audit universe, which results in the audit population, and audit prioritization and selection. She reported that interviews were conducted with all Department Heads including other vital administrative staff. Once the interviews were completed Ms. Jenkins documented the risk factors and ranked each department high, medium or low. She also stated that as a result of the interviews, quality of internal controls were an area of concern. The divisions at highest risk included golf courses and the Russell Sims Aquatic Center. The risk was high for multiple factors including the divisions mainly consisting of part-time seasonal positions.

The next item of discussion included Ms. Jenkins hours spent on paid leave, professional development and administration. Mr. Wills recommended that hours be set aside for spreadsheet and flowchart development. Ms. Jenkins confirmed that 20% of available time would be dedicated to development follow-up and various other needs. Ms. Jenkins reported that her hours spent auditing exceeded her budgeted staff time by approximately 100 hours and the cycle was estimated to be completed in 9 years. She also reported that her current focus had been on a petty cash issue. Mr. DeFebbo stated that the issue was an administrative error and not criminally related. He also suggested that this concern could be one of the first tasks for the Audit Committee. Chairman Hays questioned exactly how petty cash was being used. Ms. Jenkins discussed that a policy and procedure guide had yet to be established, including reconciliation sheets or training implemented for the custodians. The Purchasing Agent would be scheduled to begin the process and require all petty cash custodians to complete a reconciliation sheet. Mr. DeFebbo requested that Ms. Jenkins provide a completed petty cash incident report, including results and accomplishments to the Committee members at the next regular meeting.

Chairman Hays recommended that the City create a mandatory vacation policy for all management staff indicating that the individual must take at least one week vacation uninterrupted. The employee would not have any physical contact in the office.

Mr. DeFebbo asked what process Ms. Jenkins would take to appropriately address each department, including low, medium and high risk departments. Ms. Jenkins explained that she would be attending an Audit Committee meeting in Lexington, as well as researching and gathering ideas from other audit professionals to successfully address each department.

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Ms. Cherry inquired about the 9 year auditing period and what strategy Ms. Jenkins would use to be time efficient. She also proposed auditing various levels of risk rather than highlighting the high risk first; keeping in mind not to spend an excessive amount of time on the low risk. Ms. Jenkins stated that the first year of auditing would mainly consist of high risk department areas and after the first initial year medium and low risks would be rotated into the schedule.

Ms. Cherry also questioned the risk associated with Information Technology and what precautions would the City of Bowling Green take on password and access authorization. Ms. Jenkins identified that these areas of IT are at high risk and must be identified. Ms. Jenkins stated that an additional auditing source may be needed and Mr. DeFebbo agreed that if that was needed the City would budget for that expense. However, policies regarding password usage and data access were currently being researched.

Mr. DeFebbo reported that Ms. Jenkins would be providing progress reviews to the Committee on a quarterly basis. He also asked that if any member had a recommendation or something that needed to be addressed to see him or Ms. Jenkins directly.

Mr. Martens commented that as a citizen and committee member he congratulated Ms. Jenkins for her efforts and greatly appreciated her attention to detail, such as counting petty cash, also beginning this process now and setting long-term goals.

Approval of FY07/08 Audit Plan.

Motion was made by Ms. Cherry and seconded by Mr. Wills to approve the FY07/08 Audit Plan as presented by Ms. Jenkins. The motion was unanimously approved.

The next quarterly meeting is scheduled at 3:30 p.m. on October 1, 2007.

Chairman Hays announced the next quarterly meeting date.

Adjournment.

There being no other business to be conducted, at 4:35 p.m. Chairman Hays declared the meeting adjourned.

Date Approved

Charles Hays, Chairman

Ashley Watt, Assistant City Clerk