

**Bowling Green Audit Committee**  
***Regular Meeting***  
**July 11, 2011**

The Bowling Green Audit Committee convened in a regular meeting at 3:30 p.m. on July 11, 2011 in the City Hall Commission Chamber. The meeting was called to order by Vice Chair David McKillip. Members of the Committee present were: Audit Professionals David McKillip and Cristi Pruitt, General Business member Scott Gary, Mayor Joe Denning and Ex-Officio member City Manager Kevin DeFebbo. Absent: James Martens. Also present were Internal Auditor Deborah Jenkins and Assistant City Clerk Ashley Jackson. There was a quorum of the board present.

Ms. Jenkins introduced and welcomed new members of the Audit Committee, Cristi Pruitt, Audit Professional Member and Scott Gary, General Business Member. In addition, a photo of the committee was scheduled to be taken, however due to the absence of one member it was determined to postpone the picture to the next regular meeting.

**Approval of Minutes.**

Vice Chair McKillip announced that the first item of business was to approve the minutes of the April 4, 2011 special meeting, which were mailed with the agenda to the members for their review prior to the meeting. Mr. McKillip suggested a minor grammatical revision. Motion was made by Mr. Denning and seconded by Mr. McKillip to accept the minutes as amended. The minutes were approved as amended by unanimous vote.

**FY2012 Chair and Vice-Chair nominations.**

Motion was made by Mr. Denning and seconded by Mr. Gary to nominate Mr. McKillip to serve as Chair for Fiscal Year 2012. All ayes, motion carried.

Motion was made by Mr. McKillip and seconded by Mr. Denning to nominate Ms. Pruitt to serve as Vice Chair for Fiscal Year 2012. All ayes, motion carried.

**Presentation of FY2011/2012 Risk Assessment and resulting Audit Plan.**

Ms. Jenkins reported on the FY2011/2012 Risk Assessment and Annual Audit Plan. She explained that she used a combination of interviews with management, written policy and knowledge of the departments and chose the following risk factors and applicable weights for the risk assessment: Changes in Procedures/Personnel – 5%, Budget Expenditures – 13%, Liquidity and Negotiability of Assets – 15%, Management – 4%, External Influences – 3%, Nature of Transactions – 8%, Quality of Internal Controls – 25%, Composition of Personnel – 3%, Time Since Last Audit – 10% and Revenue Materiality – 14%. Ms. Jenkins explained that since this was her fifth year she provided a summary of the audits she had completed, continuing to work on or deleted from her audit plan since Fiscal Year 2007/2008. The audit plan for Fiscal Year 2011/2012 included Fleet operations audit, bid and procurement process audit, Parks Maintenance operations audit, Code Enforcement follow-up audit and Bowling Green Police Department follow-up audit. In addition to the audits planned directly from the risk assessment, Ms. Jenkins scheduled time for the Police Department's Narcotic Disposal Program, unannounced cash counts, special requests and advisory needs of management and conduct the cell phone taxable benefits review. It was reported that the Audit Plan is based on the risk assessment of the City's 11 departments which contain 46 identified divisions and she confirmed she had completed one audit in only 5 of the 11 City departments, therefore she expressed concern about the audit coverage as a one person audit shop, and continues to search for ways to add greater value to the City based on the resources available.

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Additionally, Ms. Jenkins discussed the attachments #1 and #2 and attachment #1 included the Fiscal Year 2012 Risk Assessment Worksheet indicating the departments and weighted scores; she reviewed the areas that were identified as high risk areas which included the following: City Manager Department - Purchasing, Finance Department - Treasury and License Divisions, Law Department, Information Technology Department, Police Department Traffic and Patrol, Public Works Department - Fleet Management and Parks and Recreation Department – Maintenance, Aquatics, Athletics, Recreation/Fitness, Golf Courses and Cemetery. Attachment #2 was the description of the available audit hours for Fiscal Year 2011/2012 and that 2,080 hours were available annually and she had 280 hours paid leave, 76 hours of professional development and 417 hours of administration. As a result, a total of 773 indirect hours and 1,307 direct audit hours were available, allowing for a balance of 1,307 direct audit hours which resulted in a shortage of 141 auditing hours budgeted. Mr. Gary questioned if the City was comfortable with the Internal Auditor's ability to audit efficiently as a one person audit shop, and Mr. DeFebbo commented that the position had been positively effective. He also remarked that the City of Bowling Green was the only second class city that had an internal auditor and that Ms. Jenkins would be presenting at the upcoming Kentucky League of Cities (KLC) Convention to review the importance of the Internal Auditor role and the successful stories of Bowling Green. Mr. DeFebbo anticipates that the Internal Auditor Division would expand in coming years, however not immediately due to ongoing budget constraints. Ms. Jenkins further mentioned that she was analyzing and discussing the idea of an audit hotline, which she recommends. Ms. Jenkins asked for the approval of the FY2011/2012 Annual Audit Plan. Motion was made by Mr. McKillip and seconded by Mr. Denning to approve the FY2010/2011 Annual Audit Plan as written. All ayes, motion carried.

#### **Update on Fleet Operations Audit.**

Ms. Jenkins began discussion by explaining the roles and responsibilities of the Public Works Department, Fleet Division. The Fleet Division performs mechanical maintenance for most City vehicles and equipment, as well as contract with Community Action of Southern Kentucky and the Housing Authority of Bowling Green on maintenance of their vehicles. It was also reported that the auction inventory was stored at the Fleet Division. Ms. Jenkins briefly updated the committee on the Fleet operational audit and indicated that there were needed improvements in the accountability of inventory and documentation of payroll. She pointed out that the audit lead to the discovery of a suspicious receipt from a vehicle that had been scrapped at a local scrapping facility and after some investigation, it was determined that two employees had personally taken some of the proceeds therefore resulting in the employees departing employment with the City.

Ms. Jenkins asked if the Board had any further comments regarding the Fleet operational audit and there were none. She indicated that a complete report would be provided at the next regular meeting.

**The next quarterly meeting is scheduled at 3:30 p.m. on October 10, 2011.**

Ms. Jenkins announced the next quarterly meeting date.

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**Adjournment.**

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

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Date Approved

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Cristi Pruitt, Vice Chair

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Ashley Jackson, Assistant City Clerk