

Bowling Green Audit Committee
Special Meeting
December 7, 2009

The Bowling Green Audit Committee convened in a special meeting at 3:30 p.m. on December 7, 2009 in the City Hall Commission Chamber. The meeting was called to order by Chairman Harold Wills. Members of the Committee present were: Audit Professionals Charles Hays and Harold Wills, General Business members Jean Cherry and James Martens, Commissioner Bruce Wilkerson and Ex-Officio member City Manager Kevin DeFebbo. Absent: None. Also present were Mountjoy and Bressler, LLP representatives Debbie Smith and Randy Davis, Internal Auditor Deborah Jenkins, Chief Financial Officer Jeff Meisel, Comptroller Wilma Brown and Assistant City Clerk Ashley Jackson. There was a full quorum of the board present.

Approval of Minutes.

Chairman Wills announced that the first item of business was to approve the minutes of the October 12, 2009 special meeting, which were mailed with the agenda to the members for their review prior to the meeting. Mr. Hays suggested a minor grammatical change. Motion was made by Mr. Wilkerson and seconded by Mr. Martens to accept the minutes as amended. The minutes were approved as amended by unanimous vote.

Review and discuss the Comprehensive Annual Financial Report (CAFR) of the City of Bowling Green for the Fiscal Year Ending June 30, 2009 presented by Mountjoy and Bressler, LLP.

The Committee requested a brief overview of the audit from Mountjoy and Bressler, LLP. Mr. Davis reviewed the management letter and recommended improvements in the following areas:

Cemetery Investments. The Cemetery fund investments had been included with the fund's cash and cash equivalents and the cost was considered to approximate fair value. The fund was reported to currently be investing in mutual funds and due to the decline in market values the cost was no longer approximate to fair value. Mountjoy and Bressler, LLP recommended separating investments on the general ledger and that unrealized gains and losses on the investments should be recorded.

Federal Expenditures. The City currently reports all expenditures related to specific grant (federal and non-federal) in the same expense accounts. To comply with the requirement for the schedule of federal expenditures, only the federal portion should be included. It was recommended that the City determine a method to differentiate between federal and non-federal (matching) expenses in the general ledger to ensure that the schedule was accurately prepared.

Information Technology Organizational Structure Controls. Since the previous audit, policies and procedures had been established for computer procedures and ethics, hardware and software changes, IT purchasing, IT termination e-mail and software licenses. However, there was no evidence that these policies and procedures were periodically reviewed, updated and approved by management and communication to the IT users to establish compliance expectations. The recommendation was that policies should be reviewed, updated, approved and communicated and that evidence of this process should be documented.

Information Technology System Security Controls. The City currently has an authorized software policy established within the Computer Procedures and Ethics policy which states that all software would be kept in a secured location within the City annex and that licensing and software keys could be kept in the document management system. However, it was determined that employees

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in various departments had developed or purchased other software without consulting the Information Technology Department as to compatibility, licensing and network security. It was recommended that user access to development tools, CD and USB drives at workstations would be limited as this would prevent the installation or development of unauthorized solutions, which provide the opportunity for the introduction of viruses, unauthorized access to confidential data, and unauthorized system changes.

Mr. Davis further indicated that Bowling Green Municipal Utilities and the Police and Firefighter Retirement Pension was included in the report, however a separate firm performed the audit for the two organizations.

In addition, Ms. Smith provided a brief summary of the Management’s Discussion and Analysis, financial statements, notes to financial statements, budgetary comparison schedules – major funds (general and special revenue) and pension schedules, non-major governmental funds and the statistical section, all of which was included in the Comprehensive Annual Financial Report (CAFR).

After discussion concluded, motion was made by Mr. Hays and seconded by Ms. Cherry to approve **Resolution No. 2009 - 1 of the City of Bowling Green Audit Committee approving the Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2009, as prepared by Mountjoy and Bressler, LLP.** Resolution No. 2009 - 1 was approved by unanimous vote.

The next quarterly meeting is scheduled at 3:30 p.m. on January 4, 2010.

Chairman Wills announced the next quarterly meeting date.

Adjournment.

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

Date Approved

Harold Wills, Chairman

Ashley Jackson, Assistant City Clerk