

**Bowling Green Audit Committee**  
***Regular Meeting***  
**July 9, 2012**

The Bowling Green Audit Committee convened in a regular meeting at 3:30 p.m. on July 9, 2012 in the City Hall Commission Chamber. The meeting was called to order by Vice Chair Cristi Pruitt. Members of the Committee present were: Audit Professional Cristi Pruitt, General Business member Tony Witty, Commissioner Joe Denning and Ex-Officio member City Manager Kevin DeFebbo. Absent: General Business member Scott Gary and Audit Professional David McKillip. Also present were Information Technology Director Lynn Hartley, Internal Auditor Deborah Jenkins and Assistant City Clerk Ashley Jackson. There was a quorum of the board present.

Vice Chair Pruitt introduced and welcomed new Audit Committee General Business member Tony Witty. In addition, a photo of the committee was scheduled to be taken, however due to the absence of two members it was determined to postpone the picture to the next regular meeting.

**Approval of Minutes.**

Vice Chair Pruitt announced that the first item of business was to approve the minutes of the April 16, 2012 special meeting, which were mailed with the agenda to the members for their review prior to the meeting. Motion was made by Mr. Denning and seconded by Ms. Pruitt to accept the minutes as written. The minutes were approved as written by unanimous vote.

**FY2013 Chair and Vice-Chair nominations.**

Motion was made by Mr. Denning and seconded by Mr. Witty to nominate Mr. McKillip to serve as Chair and Ms. Pruitt to serve as Vice Chair for Fiscal Year 2013. All ayes, motion carried.

**Presentation of FY2012/2013 Risk Assessment and resulting Audit Plan.**

Ms. Jenkins reported on the FY2012/2013 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%. The audit plan for Fiscal Year 2012/2013 included bid and procurement process audit, Parks Maintenance Operations audit, Bowling Green Fire Department payroll follow up audit and License Division 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. Furthermore, it was reported that the City approved the creation of a Fraud and Abuse Hotline system to be implemented by the Internal Auditor, and the development of the system as well as employee training and advertisement will be a major project for the fiscal year. Ms. Jenkins mentioned that the hotline was designed for employees and any information would remain anonymous and all information was kept confidential. It was also noted in the report that Ms. Jenkins continues to be concerned about audit coverage as she serves as a one person audit shop, she will continue to search for ways to add greater value to the City based on the resources available. Mr. DeFebbo explained that an intern had been budgeted for Fiscal Year 2013 and it was determined that a Master of Public Administration student or graduate from Western Kentucky University would be most beneficial and he hoped that the intern could be of assistance to the Internal Auditor. Ms. Jenkins also explained that she had already started on the Purchasing Audit; however the

(Minutes-Bowling Green Audit Committee – July 9, 2012)

Purchasing Agent since resigned from the position, so she plans to continue with the audit and complete it before the current Purchasing Agent departs and a new employee begins.

Additionally, Ms. Jenkins discussed the attachments #1 and #2. Attachment #1 included the Fiscal Year 2013 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 2012/2013 and that 2,080 hours were available annually and she had 280 hours paid leave, 76 hours of professional development and 517 hours of administration. Ms. Jenkins asked for the approval of the FY2012/2013 Annual Audit Plan. Motion was made by Mr. Denning and seconded by Mr. Witty to approve the FY2012/2013 Annual Audit Plan as written. All ayes, motion carried.

**Presentation of outsourced IT Security and General Controls Assessment.**

Ms. Jenkins began discussion by explaining that there had been a need for an IT security and general controls audit in which funds were allocated in Fiscal Year 2012 and now the assessment has been completed and shall be presented to the committee. She provided an overview of the assessment that was dated March 16, 2012 and prepared by Securance Consulting. The assessment was performed on specific areas and those included LOGOS, KVS Bolt and review of select IT processes. In the Executive Summary of the assessment Securance Consulting indicated that the approach combined the use of manual audit techniques and the use of commercial and proprietary security tools designed to identify vulnerabilities in Bowling Green’s external and internal networks. The procedures Securance Consulting used were as follows: On-site interviews with key personnel; review of IT processes, policies and procedures; review of online and print configuration settings; review of manuals, reference materials and best practice security guides; network foot printing-researching public information on the target, including technical listings; scanning-utilizing automated tools to identify specific systems and services, software and operating system version levels, hardware devices, firewall configurations, and other information; and enumeration-identifying specific vulnerabilities and avenues of attack through both automated and manual means. Ms. Jenkins reviewed the high risk areas of findings and those listed were: a) internal network vulnerabilities, b) network-level user access administration, c) network level user audit policy not set, d) segregation of duties (KVS Bolt), e) segregation of duties (LOGOS), f) database level access, and g) datacenter physical and environmental controls. Ms. Jenkins confirmed that Information Technology Director Lynn Hartley had moved quickly on making improvements as recommended by Securance Consulting and Mr. Hartley agreed that the areas of improvement were needed and that he appreciated the audit. Mr. Hartley said that the IT Department was performing studies annually to focus on certain areas and external intruder alerts were now available.

Mr. DeFebbo added that since the IT audit was performed, it was recognizable that there was a storage space issue for the City, including the storing of IT equipment that could be a risk and hazardous to employees and the building. Therefore, plans and studies are being prepared and tentative plans had been presented to the Board of Commissioners prior to the audit, but Mr. DeFebbo hoped to be able to utilize vacant City owned space and transfer departments around in order to become more efficient and allow for extra storage space within a safe environment.

(Minutes-Bowling Green Audit Committee – July 9, 2012)

**The next quarterly meeting is scheduled at 3:30 p.m. on October 8, 2012.**

Ms. Jenkins announced the next quarterly meeting date.

**Adjournment.**

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

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Date Approved

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David McKillip, Chair

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Ashley Jackson, Assistant City Clerk