

**Bowling Green Audit Committee**  
*Regular Meeting*  
**July 7, 2008**

The Bowling Green Audit Committee convened in a regular meeting at 3:30 p.m. on July 7, 2008 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 and Ex-Officio member City Manager Kevin DeFebbo. Absent: Commissioner Brian Strow. Also present were Internal Auditor Deborah Jenkins, Housing and Community Development Director Alice Burks, Housing Division Manager Vallory Schocke and Assistant City Clerk Ashley Watt. There was a quorum of the board present.

**Approval of Minutes.**

Chairman Hays announced that the first item of business was to approve the minutes of the April 7, 2008 regular 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. Wills to accept the minutes as written. The minutes were approved as written by unanimous vote.

**FY2008 Chair and Vice-Chair nominations.**

Motion was made by Mr. Martens and seconded by Ms. Cherry to nominate Mr. Hays to serve for an additional year as Chair for Fiscal Year 2009. All ayes, motion carried.

Motion was made by Mr. Martens and seconded by Ms. Cherry to nominate Mr. Wills to serve for an additional year as Vice-Chair for Fiscal Year 2009. All ayes, motion carried.

**Review Mountjoy & Bressler engagement letter for FYE 6/30/08 and discuss Request for Proposal process for future external audit agreement.**

Ms. Jenkins reported that this agenda item was only for the Committee member's information and that the engagement letter did not require formal action. She further explained that the City had renewed the contract with Mountjoy & Bressler for three years, and that this year would include the 4<sup>th</sup> and final year. A Request for Proposal (RFP) would be necessary for next year and she stated that the RFP discussion would be discussed in detail at the next regular scheduled meeting.

**Discuss Housing Choice Voucher Audit.**

The Section 8 Housing Choice Voucher Program Audit was finalized and a report was provided by Ms. Jenkins. She explained that after the audit was completed she had four recommendations which included the following:

- 1.) Policy timing restrictions should be consistently documented.
- 2.) Landlord overpayment tracking and monitoring system should be developed.
- 3.) Segregation of duties in the HAP process needs improvement.
- 4.) Documentation and collection activities for administrative repayment agreements should be strengthened.

Ms. Jenkins described in detail how the recommendations from the audit would assist the program on a positive level.

The policy timing restrictions was tested and Ms. Jenkins randomly selected twenty-five of one hundred seventy-nine reported new admissions, thirty-nine of two hundred reported Housing Quality Standards (HQS) failed inspections conducted within the audit period. The majority of the timing restrictions were followed with the following exceptions:

- a.) Five of the twenty-five new admissions did not have HQS inspection conducted within the fourteenth day requirement and had no documentation to indicate why
- b.) Three of eight Quality Control (QC) inspections tested were not selected from HQS inspections within the same quarter

In addition, she stated that according to management, the only reason that an inspection would not be conducted within fourteen days was due to owner request for a later inspection date, generally because the unit was not ready for inspection. Ms. Jenkins explained that Section 8 Division of Housing and Community Development had already implemented improvements prior to the audit, such as, shifting all inspections from the Housing Division to the Code Enforcement Division. Allowing four inspectors and a division supervisor to increase the timeliness of the HQS inspections and offer supervisory QC inspections, according to management. Also, any inspections that were delayed past the fourteenth day requirement due to owner request would have a note entered into the Yardi Software documenting the request. Another improvement was made to the quality control inspection documentation. All QC inspections would require entering into the Yardi software, according to management, as they would ensure proper documentation.

The second recommendation was that the landlord overpayment tracking and monitoring system should be developed. Ms. Jenkins determined that overpayments can occur for various reasons such as a change in income which required an adjustment to the tenant assistance amount, or if the tenant failed to meet any of the family obligations and was terminated from the HCV Program. Once the housing staff determines an overpayment, a notification of repayment due letter would be sent to the landlord requesting repayment by the Housing Recertification Specialist. A copy of the letter would be forwarded to the Housing Division Manager to file. Ms. Jenkins recommended that the amounts due should be entered to the landlord ledger within the Yardi software. This would help track the notification due and make it easier for the Housing Division Manager to follow-up and monitor repayments. Also, there should be a standard format of notification and documentation as well as consistent procedures in place that require follow-up notices and debarment, if necessary, within a stated timeframe. Once re-payment had been received, the payment should be credited to the landlord's ledger identifying the received date within Yardi so that the re-payment can easily be traced to the City's financial software (Logos).

The third recommendation was the improvement to the segregation of duties in the HAP process. Ms. Jenkins stated that the Finance Department should directly mail all Housing Division checks each month while providing the Logos software payment registers to the Housing Division Manager prior to mailing the verification and documentation. This would allow housing management to review, verify and approve check payment amounts while creating proper segregation of duties.

The fourth and final recommendation was to strengthen documenting and collecting activities for administrative repayment agreements. Ms. Jenkins recommended using governmental employment databases to verify employment statuses for tenants with agreement balances for the City to potentially collect the balances. She also suggested implementing a monitoring process on a quarterly basis that can coincide with Section 8 Management Assessment Program (SEMAP) to verify a sample of income reports for tenants who have ability to be employed and was not due for recertification through available governmental employment databases. Furthermore, she reported that the additional monitoring would help catch tenant fraud and abuse earlier and minimize the total repayment amounts due. She also recommended that the housing staff should ensure that the repayment agreement had been signed by the tenant when the first payment had been received.

In conclusion, the audit was based upon the test performed by Ms. Jenkins, it was her opinion that the controls and procedures established by the Housing Division do ensure that the Housing Choice Voucher Program did comply with policy in order to meet the four main responsibilities assumed from Housing and Urban Development (HUD). Mr. Martens made a recommendation to

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amend the Section 8 Housing Choice Voucher Program Audit to include an amendment to page 11 and Attachment D of the report, as it should reflect the uncollected amount paid compared to the total amount disbursed in percentage form.

**Presentation of FY08/09 Risk Assessment and resulting Audit Plan.**

Ms. Jenkins reported on the FY08/09 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 Materiality – 18%, Systems – 7%, Management – 9%, External Influences – 4%, Nature of Transactions – 10%, Quality of Internal Controls – 20%, Composition of Personnel – 9%, Time Since Last Audit – 15% and Inherent Risk – 3%. Ms. Jenkins commented that the internal audit function was still developing and all departments had not been fully reviewed, however the next departments to be reviewed include Aquatics, Treasury, Bowling Green Police Department Payroll, Bowling Green Police Department Contract Agreements and Bowling Green Fire Department Payroll. The current time schedule had been estimated to require 9.8 years, which would include forty-seven recognized divisions, three audits for the first year and five each year thereafter. In addition to the audits, planned directly from the risk assessment, Ms. Jenkins also scheduled time for unannounced cash counts, verification of the Police Department’s Narcotic Disposal Program and the cell phone taxable benefit review. Additionally, Ms. Jenkins briefly reviewed the hours she spent auditing which included 51% direct audit hours and 49% indirect audit hours.

**Approval of FY08/09 Audit Plan.**

Chairman Hays asked for the approval of the FY08/09 Annual Audit Plan. Motion was made by Ms. Cherry and seconded by Mr. Wills to approve the FY08/09 Annual Audit Plan as written. All eyes, motion carried.

**Discuss Petty Cash/Change Fund Audit progress.**

The petty cash and change fund audit progress was discussed and Ms. Jenkins reviewed the analysis she had performed and the recommendations that were drafted for management’s response. She included that the Petty Cash Policy was still in its preliminary stages and that some necessary changes would be needed and all petty cash custodians would be required to follow the restricted policy.

**The next quarterly meeting is scheduled at 3:30 p.m. on October 6, 2008.**

Chairman Hays announced the next quarterly meeting date.

**Adjournment.**

There being no other business to be conducted, at 4:50 p.m. Chairman Hays declared the meeting adjourned.

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Date Approved

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Charles Hays, Chairman

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Ashley Watt, Assistant City Clerk