

Bowling Green Audit Committee
Special Meeting
December 12, 2007

The Bowling Green Audit Committee convened in a special meeting at 11:00 a.m. on December 12, 2007 in the City Hall Commission Chamber. The meeting was called to order by Chairman Charles Hays. Members of the Committee present were: Commissioner Brian Strow, Audit Professionals Charles Hays and Harold Wills, General Business members Jean Cherry and James Martens and Ex-Officio member City Manager Kevin DeFebbo. Absent: None. Also present were Mountjoy and Bressler, LLP representatives Debbie Smith and Randy Davis, Comptroller Wilma Brown, Internal Auditor Deborah Jenkins and Assistant City Clerk Ashley Watt. There was a full quorum of the board present.

Review and discuss the Comprehensive Annual Financial Report (CAFR) of the City of Bowling Green for the Fiscal Year Ending June 30, 2007 presented by Mountjoy and Bressler, LLP.

The Committee requested a brief overview of the audit from Mountjoy and Bressler, LLP. The representatives from the firm addressed three points in which they viewed were of high importance, including the Management Letter, Financial Statements and Auditor's Report. Mr. Davis reported that the City's change in net assets of governmental activities increased from \$12,037,511 to \$19,544,038. The Committee questioned the significant increase and Ms. Smith stated that it was due to the growth in infrastructure and capital assets.

Chairman Hays requested that the firm share the pros and cons of the City of Bowling Green audit. Ms. Smith stated that the positive steps the City made were creating the Audit Committee and segregating internal controls. Mountjoy and Bressler, LLP recommended improvement in the following areas:

1. Segregation of duties within the Payroll Division. The City had several compensating controls in the Payroll area which helped to prevent and detect errors. However, Mountjoy and Bressler, LLP recommended that when the new payroll software was implemented, duties should be divided between the Human Resources Department and the Finance Department-Payroll Division. Beginning January 1, 2008, the Human Resources Department plans to begin entering personnel information and the Payroll Division plans on issuing checks only.
2. Tracking license fees and permits through Housing and Community Development. The Blackbear Software used in the License Division was a concern and an update was recommended. Ms. Brown indicated that the software was expected to be in place by the end of Fiscal Year 2008.
3. Infrastructure. The software used in the Public Works Department was satisfactory, but, the previous software system "Pavement Management" did not equate to the same condition level in the new software system "Cartograph" therefore the City did not have documentation that the overall condition of the streets and sidewalks meet the required level of condition. An assessment evaluation and a reporting system should be implemented to allow for accurate reports.

Commissioner Strow questioned why the Public Works area lacked in documenting and reporting and Mr. DeFebbo commented that he would meet with Department Head Emmett Wood to

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clarify and provide a report at the next regular meeting. Also, Ms. Brown stated that the Finance Department would be working more closely with the Public Works Department on a quarterly basis.

Ms. Smith of Mountjoy and Bressler, LLP concluded that the firm found only two areas in which improvement was needed which consisted of the software and segregation of duties. The segregation of duties issue was directly related to the Payroll Division. Ms. Smith commented that the internal control structure overall had greatly improved over the past three years. Mr. DeFebbo made a remark that the focuses of Internal Auditing vs. External Auditing would essentially fill in any gaps and accurately locate areas which need improvement.

Mountjoy and Bressler, LLP asked if the Committee had any further comments and Mr. Wills questioned if the City felt comfortable with the Insurance Premium Tax collection since the incident with Davis Cooper. Ms. Brown stated that a lock-box had been established and that all insurance premium tax payments are directly sent to it at a specific financial institute.

In addition, Mr. Martens questioned if the Public Works and Licensing Divisions' software was actually out-dated or were the software updates happening so quickly that it was impossible to keep it updated, and Ms. Smith stated that the software was simply outdated. After discussion concluded, motion was made by Ms. Cherry, seconded by Chairman Hays, to approve **Resolution No. 2007 - 1 of the City of Bowling Green Audit Committee approving the Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2007, as prepared by Mountjoy and Bressler, LLP.** Resolution No. 2007 - 1 was approved by unanimous vote.

Ms. Jenkins explained that the Committee would need to recommend the approval of the audit to the Board of Commissioners at the December 18, 2007 Board of Commissioners meeting. Mr. DeFebbo requested that Chairman Hays be present at the meeting should there be any questions or comments.

The next quarterly meeting is scheduled at 3:30 p.m. on January 7, 2008.

Chairman Hays announced the next quarterly meeting date.

Adjournment.

There being no other business to be conducted, at 12:00 p.m. Chairman Hays declared the meeting adjourned.

Date Approved

Charles Hays, Chairman

Ashley Watt, Assistant City Clerk