

City of Greenville
Audit Committee Meeting Minutes
Wednesday, January 5, 2022
Held Virtually via Zoom
11:00am-12:00pm

Attendees:

☒ Rick Smiley, *Council Member (Chair)*
☒ Ann Wall, *City Manager*
☒ Jacob Joyner, *Financial Services Manager*
☒ Becky Derderian, *Grants Accountant*

☒ Rose Glover, *Mayor Pro Tem (Secretary)*
☒ Michael Cowin, *Assistant City Manager*
☒ Alisha McNeil, *Internal Auditor*
☒ Matthew Haga, *IT Director*

☒ Brian Meyerhoeffer, *(V. Chair)*
☒ Byron Hayes, *Financial Services Director*
☒ April Adams, *Partner - Cherry Bekaert*
☐ Carlene Kamradt, Sr. Manager -Cherry Bekaert

1. Introductions

Council Member Smiley called the meeting into order. Mr. Byron Hayes took roll for all Committee Members and City Staff members.

2. Review December 4, 2020 Audit Committee Meeting Minutes

Minutes approved without exception.

3. Review of the Fiscal Year 2021 Draft Financial Statements

The following highlights were shared by Mr. Byron Hayes, Director of Financial Services.

- a. An unmodified opinion was this year's result, per Cherry Bekaert, which is the best audit opinion that can be issued in a financial audit.
- b. In the City's 2nd year of preparing the Financial Statements (during the Pandemic):
 - i. Cloud Storage was added for redundancy and for additional security storage purposes.
 - ii. Additional linking capabilities for notes to flow smoother and staff will be able to map information more efficiently.
 - iii. Additional staff integrated in the process; attended financial certification courses and training, one staff member had national level training to assist with preparing financial statements.
- c. No Material Weaknesses or instances of Material Non-Compliance to the Financial Statements identified. No Material Weaknesses of Significant Deficiencies were identified related to the City's Federal Audit Findings. No Significant Deficiencies were identified related to the City's State Awards.
- d. CAFR Award received for another consecutive year and the City's crediting rating was affirmed in October 2021, in the midst of covid.

4. Update from Cherry Bekaert

Mrs. April Adams gave an overview of the current status of audit and she shared that the Council presentation is scheduled for next week, January 14th. Testing is substantially complete, however, some paperwork is incomplete. Cherry Bekaert is still testing covid payroll and they are not anticipating any

issues. The reason for the delay in completion is due to it being caught up in the review process. The review is still being completing by Cherry Bekaert's 2nd partner.

Mrs. Adams also shared some of the challenges that have resulted in the audit not being completed, which include the following:

- 100% remote audit due to covid risks
- 2nd year of the City handing financial statements using a different software
- Carlene's retirement

Council Member Smiley asked if there is anything that brought the City to this delayed point that's not a one-off contribution. Mrs. Adams replied no and added that another factor that has increased the delay is the workload balance. Council Member Smiley wanted to clarify to make sure there was nothing systemic to contribute to this. Mrs. Adams replied no, not that she is aware of.

Mrs. Adams continued with the annual review of the role of the External Auditor. The three key areas discussed in relation to the role of the External Auditor include: Actions, Results and Communication. Internal Controls were discussed next and the process of testing at each level (significant cycles, test of controls, journal entries, and IT). Mrs. Adams walked the Committee through the acronyms of each item reviewed in the Test of Controls and gave an overview of what OPEB, LEOSA, and LGERS actually mean and what the testing of each one covers. Mrs. Adams then reviewed the Significant Audit Areas more in-depth.

Additional highlights shared by Mrs. Adams include:

- 1) Unmodified opinions - All four opinions are anticipated to be "unmodified", which is the highest audit opinion that can be given. Significant policy update, the City had to include GASB 84.
- 2) Powell Bill Invoices – Two invoices related to Powell Bill missed the cutoff due to those monies not being accrued at year-end. Two findings, but all one issue. Mr. Michael Cowin explained what occurred. The wrong invoice date was entered into the system and the invoice was not accrued by the Financial Services department. Mr. Hayes added that the mitigation process has been reviewed with Cherry Bekaert in moving forward for staff to proactively prevent this issue. Mrs. Adams shared that the Powell Bill finding is really only about one invoice and it resulted in Material Weakness and Material Noncompliance.
- 3) Mrs. Adams also shared the new LGC Performance Indicators and she informed Council that they have a new responsibility which is to compose and send a letter to the LGC stating what the City will do to avoid being late going forward. Mr. Hayes followed up to state that staff will get the letter over to Council soon to get it back to the LGC in a timely manner.

4) Questions and Answers

Council Member Meyerhoeffer asked what would cause the City to regress in us not being able to do the Financial Statements on our own in the future. Mrs. Adams said it would have to be drastic circumstances. Mr. Cowin stated that would be the reason why Financial Services is going the next step to cross-train staff members for the continuity of services. He also reiterated what Mrs. Adams stated in saying that "once you move down this road, there is no going back". Mr. Hayes shared that the linking capabilities will cause staff to follow each step through the workflow so that if there is any turnover or

staff being out for an extended period of time there will not be a loss of knowledge during those periods. He also emphasized that the City is working on a new policy and procedure for any new staff member without knowledge of the process to be able to pick up and gain knowledge of it.

Additionally, Council Member Smiley asked if the IT Department knows and understands the process of the new Financial Statements and if they have the ability to recreate and/or maintain it. Mr. Matthew Haga replied yes that the IT department is comfortable with the way it is stored and the staff has the knowledge and capabilities to recreate and/or maintain it.

5. General Fund Overview

Mr. Hayes gave the Committee an overview of the breakdown of General Fund Revenues and Expenses. He also shared that the impact of covid-19 on some revenues from changes and programs. Next, Mr. Hayes reviewed General Fund Expenses. \$7M difference and \$3M of it is due to encumbrances and carryover funding. Proactive approach to issue spending and hiring freezes to address any negative impact that were anticipated. Mr. Cowin gave more information about the encumbrances and carryover. Contingency funding held back for any potential covid-19 needs.

Fund Balance was addressed next. It did increase and the impact of covid was still a little less than what was expected.

Unassigned Fund Balance Policy clause was discussed next and it was highlighted that with the 14% floor that is to be maintained, in FY 20-21 the City maintained 14.75%. Next, Department Carryover was highlighted, followed by the progress in meeting of City Council goals and objectives.

Mr. Hayes discussed next steps, which includes Cherry Bekaert completing their review and the Council Presentation will follow. CAFR Award submission will come subsequently.

6. Meeting Wrap-up

Mr. Hayes thanked Cherry Bekaert, City management and staff for all of the work that has been done in continuing to achieve great audits. Mr. Cowin commended Cherry Bekaert and Carlene Kamradt for their thoroughness and professionalism. Council Member Smiley gave thanks to City staff and commended them for the work that they do. Mayor Pro-Tem Glover gave thanks to City leadership and staff for the hard work done. Ms. Wall also added that staff and leadership from Michael and Byron, should be applauded, despite difficult circumstances. Mr. Hayes expressed that the Financial Services department strives for continuous improvement and he thanked Council for all of the feedback given over the years. Ms. Wall added that special thanks and applause for Jacob was to be given as well for all that he does.

Council Member Smiley moved to adjourn official meeting and Mayor Pro-Tem Glover seconded the motion. Meeting was adjourned.