

# MINUTES

## Audit Committee of Roanoke City Council

**Location:** Council Chambers Conference Room  
Noel C. Taylor Municipal Building, Room 451 South

**Date:** June 7, 2023

**Time:** 4:01 p.m. to 4:44 p.m.

**Attendees:**

<b>Audit Committee Member</b>	<b>Present (Y/N)</b>
Patricia White-Boyd (Chair)	Y
Joseph Cobb (Vice-Chair)	Y
Luke Priddy (Member)	Y
Sherman Lea (Ex-Officio)	Y

Drew Harmon, Municipal Auditor  
Bob Cowell, City Manager  
Chris Chittum, Director of Planning, Building & Development  
Marc Nelson, Director of Economic Development  
Amelia Merchant, Deputy Director of Finance  
Brian Pendleton, Accounting and Systems Manager  
Dawn Hope Mullins, Assistant Municipal Auditor  
Tasha Burkett, Information Systems Auditor  
Cari Spichek, Senior Auditor  
Dorothy Hoskins, Senior Auditor  
Camille Whitfield-Lamour, Senior Auditor  
John Aldridge, Partner, Brown Edwards & Company  
Henri Gendreau, Roanoke Rambler (Press)  
Phazhon Nash, Citizen

**1. Call to Order:**

Ms. White-Boyd welcomed everyone and called the meeting to order at 4:01 p.m.

**2. Approval of the Minutes from the April 13, 2023 Meeting:**

Mr. Priddy made a motion to approve; The minutes were approved and filed.

**3. External Audit Plan for Year Ended June 30, 2023:**

Mr. Aldridge stated that there are four (4) phases of the audit: planning, interim field work, final field work, and financial report preparation. He talked a little about the timing of each phase and the work involved. He noted that the City will be treated as a low risk auditee for single audit work this

year, since the City has had no material weaknesses cited the last two years. This allows the auditors to limit their testing to 20% of federal expenditures, down from 40% in prior years. This translates to fewer programs having to be tested and reduces audit costs.

Mr. Aldridge reviewed the significant audit areas:

- ARPA funding
- Post-employment benefits
- Joint ventures
- Debt (not significant in FY23)
- Capital assets – adding and removing assets; City has improved in this area

**GASB 96** addresses Subscription-Based Information Technology Arrangements. Mr. Aldridge noted that this new standard requires localities to review all of their technology related agreements, such as software and support agreements. As applicable, localities have to record a liability for future payments and an offsetting asset for the right to use the technology, which typically nets to zero. He noted that the number of subscription-based arrangements can be significant. A smaller locality he reviewed had 70 agreements that had to be accounted for.

Mr. Priddy asked if the threshold was per device or collectively, to which Mr. Aldridge responded that it was per device. Mr. Priddy noted that the Police department is considering surveillance technology that is not material on a per unit per month basis, but collectively would be significant. Mr. Aldridge responded that auditors will look at agreements of this type and that treatment will largely depend on the City's asset capitalization policies. He mentioned Microsoft Office 365 as an example of a subscription that would be significant and would need to be booked.

Ms. White-Boyd asked if this would include systems like PCI, the new Tax and Treasury system. Mr. Aldridge responded that if the agreement is longer than one year, it may have to be booked. Ms. White-Boyd then asked what auditors would be looking for in these agreements. Mr. Aldridge responded that they would be looking at the substance of the agreement, including its expected life. He noted that there are still questions that need to be answered, such as being able to exclude agreements that are month-to-month and can be terminated at any time.

Mr. Harmon asked if the standard might cause governments to change how agreements are written. Mr. Aldridge did not think it would. Mr. Aldridge stated he would keep Mr. Harmon and his team updated on anything they are seeing.

Mr. Aldridge briefly mentioned Single Audit testing, and then discussed the schedule for the entire engagement (page 15 of presentation). The goal is to have a draft report ready in November. He noted that Brown Edwards will be preparing the City's financial report again this year.

Mr. Harmon reminded the Committee that last year's delay was primarily due to GRTC. While not noted on the schedule shown here, the field work at GRTC is scheduled for September with opinions expected in early October. Dawn Mullins, Assistant Municipal Auditor, is working with

GRTC to help ensure this timeline is maintained. Mr. Aldridge added that GRTC should be finished by the time auditors start final field work at the City.

Ms. White-Boyd asked about the plan to transition financial statement preparation to City staff. Mr. Aldridge confirmed the transition should take place next year.

Mr. Harmon noted that the next Audit Committee meeting will be the first Wednesday in September, which will be a good time for a status update. He recommended monthly updates starting in early October. Ms. White-Boyd asked Mr. Harmon to provide a written schedule for updates, similar to the one used last year, which she felt was helpful. He confirmed he would send out a schedule.

Mr. Aldridge asked about the planning communication letter, which Mr. Harmon confirmed had been emailed to all Council members. Mr. Aldridge encouraged the Audit Committee to read the letter, as it spells out what the audit is and what it is not. He noted that Council members should contact Ann Genova or himself, if they have any concerns they want to share. Auditors will tailor the audit plan accordingly to address any concerns.

Mr. Priddy asked if being designated as a low risk auditee improved the City's competitiveness for federal awards. Mr. Aldridge responded that to his knowledge it does not. However, if a locality regularly has audit findings it could lead to increased monitoring and less funding. Mr. Priddy commented that he believes the City is moving in the right direction.

Hearing no further comments or questions, the report was received and filed.

#### **4. Economic Development Follow-Up Audit Report:**

Mr. Harmon presented an overview of the follow-up audit via slideshow. The original audit was performed in 2019 and focused on Business Retention & Expansion (BRE). The primary concerns were a lack of standard processes, and lack of meaningful information gathered from visits.

Soon after the original audit, the pandemic forced Economic Development to shift its focus to processing applications for pandemic relief grants. Also, the Director (Rob Ledger) retired in 2021, which led to the promotion of Marc Nelson and other staff changes. In 2022, the City contracted with Ernst & Young (E&Y) to help develop a strategic plan for the Economic Development department, which was presented to City Council in December 2022. E&Y's recommendations included coordination with the Roanoke Regional Partnership, a structured process for business visits, and cataloging of touchpoints, insights and requests in a customer relationship management database.

Mr. Harmon then briefed the Committee on the status of management's four action plans from the original audit:

1. Business Visitation Coverage – the original concern was that there was no formal approach for selecting businesses, and the risk that important business sectors or locations might be

overlooked. Mr. Harmon noted the International Economic Development Council (IEDC) recommends considering business size, location and industrial segment. In 2023, the process for selecting businesses to visit is still not clearly defined.

2. Policies & Procedures – management planned to create a policies and procedures manual for BRE, to periodically review staff practices for compliance, and to update procedures as practices evolve. In 2023, management was planning to develop a manual after they filled their last open position in March.
3. Data Gathering – management had planned for staff to enter more complete information into the EcoDev Tracker system in response to the 2019 audit. Mr. Harmon noted that staff now use a common question bank for planning business visits and in some cases have updated basic demographic information on businesses. However, the information in the EcoDev system is still limited and not well-suited for analysis. Mr. Harmon discussed the advantages of collecting more structured data, such as ratings of city services.

Ms. White-Boyd asked if businesses expressed any concerns about City processes, for example, permitting. Mr. Nelson responded that businesses typically contact Economic Development about specific concerns, such as permitting, rather than discussing them during business visits.

Ms. White-Boyd commented that elected officials have been told that City processes have impeded businesses at times, causing them to go elsewhere. Mr. Nelson responded that if Economic Development becomes aware of such concerns, they go directly to the department involved to help resolve any issues. Mr. Harmon noted that a more structured approach to gathering information could serve as an early warning system for management. Mr. Cowell commented that business visits are unsolicited and more general in nature. He added that the Planning Department sends satisfaction surveys to customers.

Ms. White-Boyd asked about the budget for Economic Development. Mr. Cowell responded that a couple of new positions have been added, which allows the Department to have a dedicated person in each sector (industry, retail and technology). Mr. Priddy asked Mr. Nelson if he has appropriate staff to address everything in the report. Mr. Nelson responded that he has sufficient staff, that the focus is now on the customer relationship management system.

Ms. White-Boyd asked Mr. Harmon if there would be additional follow-up work in Economic Development; Mr. Harmon responded there would be.

4. Business Intelligence – management had planned to require more data be entered into the tracking system, to enhance its monthly reports to include high priority issues identified during business visits, and to aggregate business visit data in quarterly reports so as to identify trends and concerns.

The follow-up audit found no significant changes in utilization of the Eco Dev system, that monthly reports included a little more information on visits, and that quarterly reports are not currently being produced. Mr. Nelson commented that one training session with the Eco Dev vendor has been conducted and another one is scheduled for July. He noted that the vendor does not have a user manual for the Eco Dev system.

Mr. Cobb asked if the department is looking at systems that might better support the new strategic plan. Mr. Nelson responded they will be considering other systems, but given the time required to get a new system, they want staff trained on the current system.

Mr. Nelson plans to resume quarterly reporting in FY 2024, noting that it is part of their Diversity Equity and Inclusion plan.

Mr. Priddy asked about integrating with the Small Business Development Center. Mr. Nelson responded that Economic Development provides information to the Center, but that the Center does not share information back with the City based on its confidentiality policies. Mr. Priddy hopes this situation can be improved as the Center serves a substantial population that Council wants to help. Mr. Cowell stated he may need to have a conversation with the Center about aggregate reporting that avoids disclosing confidential information for individual businesses. Such information can be especially important when identifying potential barriers to start ups. Mr. Cobb asked if, based on the E&Y recommendations, Economic Development needs any other support. Mr. Nelson feels the two big items are the CRM system and the out-of-date stand-alone website. The department is searching for funding sources to update the website.

Ms. White-Boyd thanked Mr. Harmon for the report. Hearing no further comments or questions, the report was received and filed.

## **5. Adjournment:**

Ms. White-Boyd adjourned the meeting at 4:44 p.m.