

Audit Committee

Meeting Minutes

Thursday, February 6, 2025

10:30 – 12:00 pm

City Hall, Room 103

A. Call to Order

The meeting was called to order at 10:44 AM by Chair Fisher. Committee Chair Fisher noted that if anyone in the public was viewing the meeting, that the video was not working so this meeting would be conducted and streamed to the public via audio only.

B. Attendance Roll

Member(s) present: Commissioner Fisher, Commissioner Myers, Ms. Higgins and Mr. Blount.

Member(s) absent: Dr. Thomas (arrived at 10:48 AM)

Staff present: Internal Auditor Hassemer, Management Analysts Desai, Johnston and Roth, Interim Manager Saunders (arrived at 10:59 AM).

C. Review and Approval of Meeting Minutes – December 5, 2024

Motion to approve minutes from the December 5 meeting by Commissioner Myers

Seconded by Mr. Blount

Unanimously Approved

D. FY25 Audit Workplan Status and Activity

Audit Committee members were distributed the completed FY25 Periodic Audit of the Housing & Community Development (HCD) Department. Internal Auditor Hassemer thanked both OA staff for the report that they put together, as well as HCD staff for their participation and assistance in completing the periodic audit.

Internal Auditor Hassemer wanted to highlight that, at this point of time, the Housing & Community Development Department is operating from a good place. Additionally, Internal Auditor Hassemer noted the changes in personnel and overall workload the department has gone through in the past few years.

Through the course of the audit, OA staff made four formal recommendations, in which the department and management found one agreement and three partially agrees. Internal Auditor Hassemer noted that OA staff was looking for the committee to vote on the report in hopes of the report going on the February/March M&C cycle for acceptance.

Ms. Higgins voiced her appreciation for the comprehensive report that OA staff put together, stating that it captures the challenges the department has gone through. She stated that some

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of the things she was looking for were specific internal controls on managing such large funds, especially in reference to the staff and how they manage the crossover, as well as how they allocate their grants.

Internal Auditor Hassemer clarified that the Housing and Community Development Department does not manage all of the grants for the entire unified government, but they do manage the majority – especially in reference to total dollars. Additionally, he stated some of the numerous internal controls this department has to be familiar with. HCD is subjected to internal controls that are enforced on all levels – local, state and federal.

Internal Auditor Hassemer also noted how OA staff did a random sampling of files for the grants managed by HCD and how all of the files were incredibly organized and well maintained. He also mentioned how HCD staff handles all of the administrative functions of all the grants – getting receipts, being a point of contact, etc. It was also emphasized that although the actual contracting involves other departments, such as Finance, the actual contract management falls on HCD staff.

Ms. Higgins also noted that the report stated HCD is subject to two external compliance audits. She also wanted clarification that the department repays expenses of the subrecipients. Internal Auditor Hassemer stated how that is correct and added that 90% of what the department does is reimbursement based, not prepayment. He also added that reimbursement is not only the standard for grants, but often preferred among staff. Currently, the department has one or two subrecipients that are subjected to prepayment. Internal Auditor Hassemer also clarified ACCGov contracting process and all of the checks it goes through prior to approval. While the number of controls is good, it was noted that the amount of them can cause a lapse in the contracting process.

Chair Fisher stated how it currently takes forever for a non-profit to get money, sometimes taking up to six months for a non-profit to start receiving the money they were awarded. Commissioner Myers thanked Internal Auditor Hassemer for better elaborating on the contracting process, but also asked if there are any steps that take longer than others within that contracting process.

Internal Auditor Hassemer noted that the Housing & Community Development Department is one of the more efficient when doing contracts due to the frequency they are completing contracts. He also noted that a lot of inefficiencies within the contracting process are more countywide and not specific to HCD. Management Analyst Roth added that HCD staff has an internal document that acts as a timeline for all items/major milestones for a subrecipient. Additionally, all of the internal controls regarding the reimbursement process were further explained to the committee, varying from the checks on reimbursements to amount of funds that are kept within an account at one time by a subrecipient.

Following the discussion regarding the contracting process, Commissioner Myers stated that it seems as if there is a way the Manager's Office can help with the contracting process and possibly help speed up the process. She also wanted to know how many ARPA contracts were going through the department at this time. Internal Auditor Hassemer clarified that the majority of the contracts are currently ARPA funded.

HCD's staffing was also discussed and the significant increase in the size of the department in the past five years. Internal Auditor Hassemer stated how there are only four ARPA funded positions, with only two of those being within HCD. He also clarified how it will be a number of years before ARPA funds leave the staff's workload due to the grant monitoring and reporting processes.

Chair Fisher brought up the insurance process these subrecipients go through, and after discussion from the committee, the process and requirement were clarified. The group also discussed the insurance minimums and requirements that these subrecipients have to meet.

Commissioner Myers also brought up the interdepartmental collaboration in reference to the Inclusionary Zoning Ordinance and the Affordable Housing Investment Strategy. Internal Auditor Hassemer clarified the ordinance and how it is still a learning process, which is why the recommendation was made to ensure that they can get ahead of the curve. Interim Assistant Manager Saunders discussed some of the issues there initially was with the ordinance and stated there has currently been no housing units built as a result of the Affordable Housing Investment Strategy. He also added that once that the program is launched, the annual checkups on these housing units will be done by the Housing & Community Development Department.

Administrative costs were brought up by Ms. Higgins, she wanted to see if there were any controls or limits on those costs. Internal Auditor Hassemer clarified that for many of the grants, CDBG in particular, there are administrative cost caps that have to be followed. These limits allow for HCD to administer a lot of their grant funding for a relatively low cost, especially in reference to the ARPA funding.

Interim Assistant Manager Saunders added that in FY25, HCD's general fund budget was set at \$3.35 million, and of that approximately one third is used for personnel services. This amount also accounts for not only HCD staff, but also the Neighborhood Leaders Program. He added that the 15% limit put on the federal funds the department is awarded is not enough to cover all of the people within the department, so the general fund has to cover the difference.

The plan on how to cover the costs of possible lost grant funds was also discussed among Audit Committee members, specifically regarding contingency plans going into contracts. Internal Auditor noted how the government is likely unable to recoup all of the funds if the

grant funding was to go away. Audit Committee members were reassured by Management that there are discussions taking place regarding this possibility and what ACCGov will do if federal grant funding was to go away.

Ms. Beth Higgins made a motion to approve the FY25 Periodic Audit of the Housing and Community Development Department. That motion was seconded by Dr. Xernona Thomas. The report was ultimately unanimously approved by the Audit Committee.

Internal Auditor Hassemer also notified the Audit Committee that the Periodic Audit of the Transit Department is well underway, with staff already starting to complete fieldwork. He also added that staff is expecting to complete the audit within the established timeline.

Audit Committee also found out about the one-year follow-up with the Tax Assessor's Office. Internal Auditor Hassemer credits them with taking the audit very seriously, with the Tax Assessor's Office implementing the recommendations almost immediately following the conclusion of the audit.

Internal Auditor Hassemer also thanked Ms. Higgins for all of her work on the by-laws. Ultimately, the majority of her edits were kept in the version that were distributed at the meeting. Audit Committee also discussed some of the training opportunities and how Commissioners cannot be forced to do complete any of the training, so that part had to be taken out of the by-laws. OA staff also let the Audit Committee know that they will distribute information regarding both virtual and in-person training opportunities. Chair Fisher also noted how the Audit Committee can continue their discussion regarding the by-laws.

Commissioner Myers also requested that OA Staff adds the Audit Committee Charter to the website so it can be more easily accessed.

E. FY26 Audit Workplan Preparation

The Audit Committee was given the initial draft of the FY26 Audit Workplan, but Internal Auditor Hassemer noted that OA staff was not looking for any formal votes on the workplan at this time. He also noted this has been a collaborative effort among OA, the Mayor, Manager's Office and other external stakeholders.

The Audit Committee was also urged to look further at these recommendations for further discussion at the next meeting.

Internal Auditor Hassemer also noted how OA is working with the many departments, offices and courts within the government to submit any external audits they go through to OA. This would allow OA to be a repository of information regarding any audits happening throughout the government.

Audit Committee brought up the lack of a formal whistleblower number or program within the government. Internal Auditor Hassemer stated there has been whistleblower-like concerns brought to his attention, but nothing has been serious enough to bring to the Committee's attention. Additionally, OA does not have any fraud investigator certification at this time. Internal Auditor Hassemer also stated that a lot of the whistleblower programs are outsourced to a third party so people are not worried about stating any concerns.

F. Internal Auditor's Update

Internal Auditor Hassemer introduced OA's new Management Analyst, Lipi Desai. Management Analyst Desai holds a degree in statistics and the office is excited to get her to help with the data analysis.

G. Next Meeting Date – March 6, 2025 @ 10:30-12:00 pm.

Motion to adjourn by Mr. Blount

Seconded by Ms. Higgins

Unanimously Approved; meeting adjourned at 12:22 PM.

Note: The Audit Committee Meeting is open to the public; however, public comments are not received unless the Committee Chair requests that an individual provide information.