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William J. Mulcahy, CIA

Mayor and City Council, City of Dunwoody and
City of Dunwoody Audit Committee
Monday November 10, 2014

Internal Audit work in this quarter -

- a. Continuous Monitoring of Financial Report.
- b. Public Works, Quality Control on Paving.
- c. Internal Audit Plan for 4th quarter of 2014.

Continuous Monitoring of Financial Report - As part of the 2014 Internal Audit Plan, I performed the procedures listed in the scope section below on the Financial Report through August 31, 2014.

Scope -

- a. Reviewed for reasonableness the Financial Report through August 31, 2014, noting reasonableness.
- b. Read the Memorandum dated September 25, 2014 subject: YTD Financial Report for August 31, 2014, noting reasonable and understandable explanations.
- c. Reviewed large or unusual variations from budget and prior year. I received satisfactory explanations on all such variations.

Audit Summary - In connection with the scope of my work described above, of the YTD Financial Report through August 31, 2014, I identified no city expenditures or other financial matters that I as the internal auditor determined to be not in compliance with (a) the provisions of the charter, (b) the applicable city budget, and (c) applicable ordinances, resolutions, or other actions duly adopted under the provisions of the charter.

Public Works, Quality Control on Paving - As part of the 2014 Internal Audit Plan, I performed the procedures listed below in the scope section on the City of Dunwoody's Quality Control on Paving. This internal audit subject was selected so as to provide comments on processes for determining roads to be paved, as well as a review of the quality control procedures for roads that have been paved.

Scope -

- a. Interviewed John Gates, Director of Purchasing and identified recent paving contractors. Obtained selection process documentation and the contracts for the recent paving contracts. For the paving contractors selected for testing, I obtained satisfactory audit documentation of appropriate bid, contract, rating matrix, quote and or solicitation of quotes in line with the dollar amount of the contract per the City of Dunwoody, Finance and Administration Department, Policies (32 page manual). I noted the policies were followed and provided for segregation of duties between ordering, and the approval by

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Department Head, Accounts Payable, Purchasing, Finance Director, City Manager and City Council.

- b. Interviewed Michael Smith, Public Works Director about the internal controls over selection of roads to be paved and the quality controls procedures for roads that have been paved. Confirmed with Michael the recent paving contracts identified in a. above. Roads are selected for paving based on the City of Dunwoody 2013 Pavement Management Report prepared by an independent firm, Infrastructure Management Services. City Council approves the funding formula for paving and the dollars for paving in the budget. While the paving is in process, continuous monitoring of paving (temperature, density, etc.) is performed by an independent testing contractor, Nova Engineering. Note, having this testing performed while the paving is in process by an independent testing contractor is a best practice.

Audit Summary - In connection with the scope of my work described above, of the City of Dunwoody's quality control over paving, I identified no city expenditures or other financial matters that I as the internal auditor determined to be not in compliance with

- a. the provisions of the charter
- b. the applicable city budget, and
- c. applicable ordinances, resolutions, or other actions duly adopted under the provisions of the charter.

The controls and procedures supporting quality controls over paving were deemed adequate. In addition the policies which provide internal controls for the segregation of duties were being followed in all contracts selected in the detailed test.

Internal Audit plans for remainder of 2014 -

4th Quarter 2014 - Procurement Card: This report will provide comments on the pcard policy, oversight of the policy and compliance with the policy, same as the prior years.

Respectfully submitted,
William J. Mulcahy, CIA
City Internal Auditor
City of Dunwoody

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