

William J. Mulcahy, CIA

Mayor and City Council, City of Dunwoody and
City of Dunwoody Audit Committee
Monday February 8, 2021

Internal Audit work in this quarter –

- a. Continuous Monitoring of Quarterly Financial Report.
- b. 4th Quarter 2020 Report.
- c. Update on prior internal audit recommendations.
- d. Internal Audit Plan by quarter for 2020.
- e. Internal Audit Plan by quarter for 2021.

Continuous Monitoring of Quarterly Financial Report– As part of the 2020 Internal Audit Plan, I performed the procedures listed in the scope section below on the Financial Report through December 31, 2020.

Scope –

- a. Reviewed for reasonableness the Financial Report through December 31, 2020, noting reasonableness.
- b. Read Linda Nabers' memo to the Mayor and City Council on the Financial Report for December 31, 2020, noting reasonable and understandable explanations, as well as her attestation including understanding that Management is responsible for internal controls.

Audit Summary - In connection with the scope of my work described above, of the Financial Report through December 31, 2020, 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.

Accounts payable, disbursements and purchasing procedures – As part of the 4th Quarter 2020 Internal Audit Plan, I performed the procedures listed below in the scope section on the City of Dunwoody's process and procedures,

Scope –

- a. Reviewed for reasonableness the City of Dunwoody, Finance and Administration Department, Accounts payable, disbursements and purchasing procedures and processing noting the proper segregation of duties between purchasing and approval, including appropriate dollar limits on approval.
- b. Reviewed and found reasonable that the Department Head approves invoices.
- c. Reviewed and found reasonable the Finance Department three-part review of invoices including final Finance Department sign off is by the City's Finance Director. If invoice is over \$25,000 it also requires City Manager approval.

- d. I selected disbursements for the month of October 2020 for review. I read the description of the disbursements noting no unusual items. Then selected ten disbursements for detail testing.
- e. On the ten selected for detail testing, I noted proper procedures were followed and each disbursement was supported by an approved invoice and that the description was reasonable. The detail testing included basic services to Lowe Engineering, Professional Legal Services to Riley McLendon, LLC, and other disbursements.
- f. I verified the disbursement bank account had been reconciled between the bank and the general ledger without any unusual items at both the beginning and end of October 2020, the month I used for detail testing.

Audit Summary - In connection with the scope of my work described above, of the City of Dunwoody's disbursements, 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 the disbursements process and procedures were deemed adequate. In addition, the policies which provide internal controls for the segregation of duties were being followed in all cases selected in the detailed test.

Audit Recommendation – One disbursement I selected in detail testing for \$18,010 was properly voided and reissued when the vendor never received it. I recommend the City expand the use of issuing disbursements electronically so as to reduce paper checks.

Update on prior internal audit recommendations -

Follow up March 3, 2020, July 2020, September 2020 and December 2020 on Dunwoody Senior Baseball Internal Audit Report dated 2/10/20.

To summarize my follow ups the City is on the right track to remediate the material weaknesses of (a) no contract and (b) no documentation of bank reconciliations or segregation of duties. Plus, I recommended the City of Dunwoody set aside money for the future major repairs of the baseball field, as disclosed in the DSB Internal Audit report dated 2/10/20. DSB, Parks staff and Jay Vinicki have begun discussion on a contract rewrite, however the pandemic slowed down progress. Further, it is a best practice that the Mayor identified two Council members to serve on an oversight subcommittee to implement the recommendations which is a positive indicator of the seriousness with which the City is accepting and implementing the recommendations. I attended via Zoom the City Council meeting of September 29, 2020 where the "proposed Athletic Association Manual" was discussed. The City is on the right track to resolve these issues and more.

Auditor Comment – City has fully implemented the recommendations with its new contract signed in December 2020.

Hot line / whistleblower line - Recommendation

The Certified Fraud Examiners bi-annual report to the nation, again in 2020 reported the #1 way to identify fraud is by tips usually via a Hot line – Whistleblower line. Audit Committee Chair Barbara Jesup called me, and suggested Dunwoody should implement such an internal control.

Auditor Comment – Fully implemented in December 2020.

Internal Audit plans for 2020 by quarter – as approved by Mayor and City Council.

1st Quarter 2020 - Complete Ball Field internal audit – **Completed.**

2nd Quarter 2020 - Follow up on implementation of 2019 Cash Recommendation – **Completed.**

2nd Quarter 2020 - Read / Review 12/31/19 CAFR before filing. **Completed.**

2nd Quarter 2020 - Procurement Card: This report provides comments on the pcard policy, oversight of the policy and compliance with the policy, and includes fuel card purchases, primarily used for police cars. - **Completed**

3rd Quarter 2020 – SeeClickFix and iWorQ programs - **Completed.**

4th Quarter 2020 – Reviewed RFP related to external auditors. – **Completed.**

4th Quarter 2020 - Accounts payable, disbursements and purchasing procedures. **Completed**

Internal Audit plans for 2021 by quarter – for consideration of Mayor and City Council.

1st Quarter – Fraud Risk Assessment

2nd Quarter – Review CAFR

3rd Quarter - Dunwoody Not for Profits

4th Quarter – P-cards and fuel cards

Other considerations

Cyber Security – Mayor, City Council and City Manager to review

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

NOTICE: Mulcahy Consulting is a consulting and internal audit firm composed of an expert specializing in risk and advisory services. Mulcahy Consulting is not licensed or registered as a public accounting firm and does not issue opinions on financial statements or offer attestation services.