



• Mulcahy Accounting & Risk Consulting •

William J. Mulcahy, CIA

Mayor Rebecca Chase Williams
City of Brookhaven

August 20, 2015

Dear Mayor Williams,

This is the first of my internal audit reports, and it's a risk assessment. The approach was to interview the Mayor, City Council, City Manager and City Finance Director for the purpose of identifying risk and then recommending in priority order my suggestions for internal audits. Based on review and judgement, my priority order for the internal audits are as follows:

1. RFP procurement process and documentation of payments in compliance with policy and procedures, especially as it relates to amounts under \$50,000 within City Manager authority as well as over \$50,000, which needs City Council approval.
2. Travel and expense documentation and reimbursements including p-cards
3. Municipal Court – policy and procedures including collections. Further, in the last legislative session, House Bill 310 was passed and then signed by the Governor. The internal audit would include a review to determine if the new provisions of HB 310 have been appropriately implemented.
4. Hotel motel tax, including compliance with rules on collection, spending and IRS reporting.

See next page for a list of risks that could be converted into internal audits. Three subjects are to be selected for the remainder of the first year of internal audit contract. Let me know your recommendations and the recommendations of City Council, and we can decide on the internal audit plan.

Any questions, let me know.

Sincerely,

William J Mulcahy

William J. Mulcahy, CIA
City Auditor
City of Brookhaven

Risks mentioned in connection with Risk Assessment

- Follow up on two material weaknesses noted in external auditors (Mauldin & Jenkins) audit report related to expenditure recognition and purchasing policies and procurements.
- Follow up on two findings of non-compliance in external auditors (Mauldin & Jenkins) audit report related to repayment of short term debt and Hotel Motel tax expenditures.
- Follow up on report of independent accountants' (whaley hammonds tomasello, pc) report on applying agreed-upon procedures: results of testing in purchasing, nine points; results of testing in fund allocation, five points; and additional items of significance, re: staffing contracts and temporary arrangements.
- City of Brookhaven Convention and Visitors Bureau, if any, including IRS tax returns.
- Brookhaven Finance Corporation.
- Organizational management, including 1099 independent contractors vs. employees, and answering the following questions, is Brookhaven a workplace of choice? Has turnover resulted in a brain drain? What is the Brookhaven culture?
- Review Communications Department turnover.
- Purchasing card documentation of expenditures.
- Purchasing policy and procedures.
- Municipal Court including House Bill #310.
- Tyler system implementation status.
- Accounts payable policy and procedures.
- Police Department.
- Permit fees revenue and expense.
- Ethics and conflict of interest policy and procedures.
- Homestead Optional Sales Tax (HOST) funds.
- Alcohol to food sales ratio.
- Training sessions and forms for hotel motel taxes.
- Parks and recreation.
- Festival financial report, including how to account for police and park employees' overtime pay, and billings to sponsors.
- Turnover in IT.
- Time and expense reporting including follow up on a reported duplicate payment and a report that a prior City Attorney had not been paid for two months.
- Consider having an Audit Committee made up of volunteer members who live in Brookhaven and have an audit and or financial expertise. Committee would review audit matters. Cities such as Atlanta and Dunwoody have these type committees.