



**MINUTES OF THE SPECIAL MEETING OF THE LAKE LURE TOWN COUNCIL
HELD WEDNESDAY, JULY 26, 2023, 8:00 A.M. AT THE LAKE LURE MUNICIPAL
HALL**

PRESENT: Mayor Carol C. Pritchett
Mayor Pro Tem David DiOrio
Commissioner Patrick Bryant
Commissioner Scott Doster
Commissioner Jim Proctor

William Morgan, Jr., Town Attorney
William Hank Perkins, Jr., Town Manager
Stephen Ford, Finance Director

ABSENT: N/A

I. CALL TO ORDER

Mayor Carol C. Pritchett called the special meeting to order at 8:00 a.m.

II. AGENDA ADOPTION

Commissioner Jim Proctor made a motion to adopt the agenda, as presented. Commissioner Patrick Bryant seconded and the motion carried 4-0.

**III. FISCAL YEAR 2023-2024 AUDIT CONTRACT WITH MARTIN AND STARNES
ASSOCIATES**

Finance Director Stephen Ford explained that the auditors informed him last week that the audit is complete and the Local Government Commission (LGC) is still reviewing the audit because of the perceived loan that the state labeled as five years for the purpose of stating a term. Director Ford noted that the auditors would like to present the audit at the August regular meeting. Director Ford reported that the audit was good because it identified the Town's strengths and

opportunities for improvement. Director Ford added that the audit is useful in keeping the Town in compliance and is a good management tool. Director Ford noted that there were six findings.

Director Ford reviewed finding one is for segregation of duties. Director Ford explained that the criteria for this is that duties should be segregated to provide assurance that transactions are handled appropriately. Director Ford further explained that the Town's condition is that due to the limited number of personnel in the Town's administration office, there is a lack of segregation of duties among Town personnel regarding cash collections. Director Ford noted that he performs review and approval of journal entries for other finance staff, but can also post journal entries.

Director Ford reviewed finding two for bank reconciliation. Director Ford explained that the criteria includes that management should have a system in place to reduce the likelihood of errors in financial reporting. Director Ford added that the condition is account reconciliations were prepared but not balance to the general ledger, such checks written in July 2022 were included on June 2022's bank reconciliation as outstanding checks.

Director Ford reviewed finding three for delayed audit. Director Ford expanded that the criteria is that N.C. General Statute 159-34 requires the Town to have an audit as soon as possible after the close of each fiscal year. Commissioner DiOrio asked how the delay is a finding based on the general statute and Director Ford explained that it becomes a finding if an audit is not submitted by December, but noted that he was not contacted about this issue until March so there is likely a grace period. Commissioner DiOrio expressed concern with the delay and noted that it is not at the fault of staff. Director Ford stated that he would discuss this concern with the auditors. Director Ford noted that the Town has an improved filing system and Manager Perkins agreed. It was noted that staff is saving all information pertaining to contracts, including bid documents. Commissioner Doster expressed that there have been difficulties finding past documents. Manager Perkins noted that Project Manager Michael Dydula is sorting through a lot of the old project files and consolidating plans. Commissioner Proctor noted that the Town is finally digitizing documents, which was not being done a decade ago. Director Ford noted that Accounting Clerk Melissa Hand had done a great job with organizing the records room and that the Town will be purchasing scanners soon. Commissioner Proctor noted that it has been a learning process with all new personnel. Commissioner DiOrio noted that the auditors wanted information on the Brown Consultants contract because of the associated loan expense and expressed concern because that information should have already been audited in the past when it occurred.

Director Ford reviewed finding four for significant audit adjustments. Director Ford explained that the criteria was that management should have a system in place to reduce the likelihood of errors in financial reporting, including the identification of all necessary adjustments to the Town's general ledger to conform to accounting principles generally accepted in the United States of America and generally accepted governmental auditing standards. Director Ford detailed that the condition is that a significant audit adjustment is a proposed correction of the basic financial statements that, in the Town's judgement, may not have been detected except through the auditing procedures. Director Ford added that the existence of such material adjustments indicates that the Town's system of controls did not detect and prevent such errors and that the Town has provided management with a report of these adjustments.

Director Ford review finding five criteria which states that in accordance with Section 602(b) (14) of the Clean Water Act, management should have an adequate system of internal control procedures in place to ensure that procurement policies are implemented and functioning as intended. Director Ford noted that projects receiving Clean Water State Revolving Fund funding must comply with engineering procurement guidelines and that management must follow North Carolina General Statute 143-64.31, Article 3D procurement of architectural, engineering, and surveying services. Director Ford added that management must monitor activities under federal awards to assure compliance with federal requirements. Director Ford detailed that the Town's internal controls over procurement were not functioning as intended, but there are not policies and actions in place to ensure that this is no longer an issue.

Director Ford reviewed finding six criteria which states that in accordance with G. S. 143, Article 8, management should have an adequate system of internal control procedures in place to ensure that procurement policies are implemented and functioning as intended, and that management must monitor activities under state awards to assure compliance with state requirements. Director Ford reiterated that there is now a procurement policy being implemented that conforms to state laws.

Director Ford recommended that Council approve the upcoming audit contract, but put the audit contract out for bid the next year. Director Ford expressed that he believes that this would help with scheduling and the Town's timeline because Martin and Starnes Associates have many clients and very little flexibility, and the Town has to start the audit process in August as a result. Mayor Pritchett asked if there are options other than Martin and Starnes Associates because that has been an issue in a past and Director Ford answered that he had received various recommendations. Commissioner Doster noted that if the Town continues to work with Martin and Starnes Associates, the Town should require that the timeline be amended to allow the Town sufficient time to prepare for the audit.

Commissioner DiOrio asked how the contract is structured and Director Ford answered that it is an annual contract, which is required by the LGC. Commissioner DiOrio asked if the Town is required to solicit bids for audit contracts and Manager Perkins answered no because it is considered a professional services contract.

Manager Perkins noted that the proposed \$10,000 increase in the new audit contract is a result of increased services due to a single audit requirement for loans.


Commissioner DiOrio expressed that Director Ford has Council's full support. Mayor Pritchett agreed and thanked staff.

Commissioner Bryant made a motion to approve the Fiscal Year 2023-2024 Audit Contract with Martin and Starnes Associates. Commissioner Doster seconded and all voted in favor.

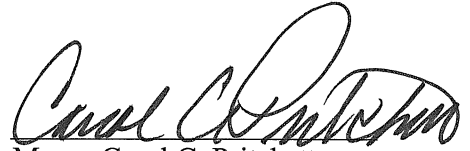
IV. ADJOURNMENT

Commissioner Doster made a motion to adjourn. Commissioner Proctor seconded and all voted in favor. The meeting was adjourned at 8:30 a.m.

ATTEST:



Olivia Stewman, Town Clerk



Mayor Carol C. Pritchett

