

***Update Regarding Southeastern
Economic Development Corporation
(SEDC) Performance Audit***

**Audit Committee Meeting
January 12, 2009**



SEDC Performance Audit Update

SEDC Response to Audit Recommendations

- On September 8, 2008, a performance audit report on SEDC operations was issued.
- The audit report had 33 recommendations – 6 were directed at the City – 27 were directed at SEDC.
- On November 24, 2008, the SEDC Board Chairman responded to the audit recommendations.
- SEDC generally concurred with the report recommendations, with a few exceptions. Four of these exceptions will be discussed.

SEDC Performance Audit Update

SEDC Response to Audit Recommendations

Recommendation #14: SEDC should ensure that the SEDC Board of Directors approves all policies

SEDC concurred that the Board shall approve “all material policies and procedures”, but it “reserves the right to delegate approval of all non-material policies and procedures to either the President or the CFO.” Further, SEDC agreed to have the Board review all policies and procedures on a regular schedule.

We recommend the SEDC Board should identify the type or category of non-material policies that can be delegated.

SEDC Performance Audit Update

SEDC Response to Audit Recommendations

Recommendation #15: SEDC should amend its consultant policy and lower the threshold that would trigger SEDC Board of Director approval for professional and technical contracts/letters of agreement to \$10,000

SEDC agrees to amend its consultant policy and lower the threshold which triggers Board approval from \$50,000 to \$25,000. SEDC advised this threshold would cover 95% of the contracts. The Interim President indicated that he would also amend the SEDC policy to include quarterly reporting to the Board of all contracts.

We agree that setting the Board approval threshold at \$25,000 in conjunction with the quarterly reporting of all contracts is an adequate control to strengthen the Board's oversight of all contracting.

SEDC Performance Audit Update

SEDC Response to Audit Recommendations

Recommendation #16: SEDC should eliminate the authority provided to the SEDC President to implement agency policies at her discretion

The SEDC Board believes it must retain the right to delegate the ability to implement certain policies and procedures to either the President or the CFO. However, SEDC Board agreed to periodically review all policies and procedures.

This recommendation was made because the former SEDC President could override internal controls by choosing not to implement policies that were in place. We recommend that the SEDC Board require its President to follow all policies that are in place and to identify the categories of policies and procedures the SEDC President is allowed to implement without Board approval.

SEDC Performance Audit Update

SEDC Response to Audit Recommendations

Recommendation #17: The Office of the CFO should review and approve of SEDC's newly-developed fiscal policies and procedures prior to their finalization

SEDC did not agree that the City's Chief Financial Officer should approve SEDC's fiscal policies given that SEDC is a separate legal entity. They plan to have their new Chief Financial Officer review, comment on, revise, and approve any new or revised fiscal policies and procedures.

We recommend that, given the severity of the previous SEDC President's fiscal improprieties, the City's Office of the CFO should review and comment on SEDC's fiscal policies for reasonableness, completeness, and appropriateness related to fiscal best practices.

SEDC Performance Audit Update

Future Follow-up

- The audit report recommended that the Office of the City Auditor conduct an audit within 18 months to review the status of SEDC's efforts to implement the recommendations.
- As part of our normal follow-up procedures, we plan to follow-up on the recommendations next fiscal year and we will report the results to the Audit Committee.

Conclusion

Questions or comments?