

Audit Committee
City of Newport/Newport Urban Renewal Agency
February 18, 2016 Minutes

I. CALL TO ORDER

The meeting was called to order at 2:00 pm by Laura Swanson.

In Attendance: Randy Siller, Don Huster, Spencer Nebel, Guest Ellie Brouston, Councilor Mark Saelens, Councilor Laura Swanson, Linda Brown, Mike Murzynsky.

On Phone: Councilor David Allen, Brad Bingenheimer of Bolt, Carlisle and Smith.

II. INTRODUCTIONS

III. APPROVAL OF MINUTES – January 25, 2016

Minutes not available for approval.

IV. UPDATE ON AUDIT SERVICES

Brad directed the attendees to begin with page 88 on the City Audit Report beginning with Supplementary Data. He said he didn't really plan on discussing each individual fund budget actuals unless the committee wanted to discuss.

Brad next directed the attendees to the Independent Auditor's Report on Page 122. He stated that the report is one that they are required to issue under the Requirements of the Oregon Minimum Standard for Audits of Municipal Corporations. He also stated that the report has two sections for two different things. The first one speaks to compliance with specific Oregon laws. The items are bulleted for what is required to test for specifically. The second part of the report speaks to Internal Controls.

Brad stated that there were no weaknesses found in Internal Controls that warranted the attention of the Audit Committee or the City Council.

Next reviewed was the Internal Control Report. The report is one that is mandatory to issue under the Requirements of Auditing Standards. Brad stated they found nothing to report under Internal Controls or Financial Reporting. The 2nd part of that report deals with compliance with laws and regulations and no instances of non-compliance were found. The third report is similar but narrowed down to specific Federally funded programs. The Airport Improvement Grant and Capitalization Grant for Clean Water Revolving Fund were selected and, according to Brad, there were no instances of non-compliance and nothing that gave any concern to them regarding internal controls.

Brad talked about the 'Super Circular' that came out in December of 2014 that replaced quite a few previous circulars. It is a single document with requirements that will come into effect for the audit ending June 30, 2016. There are significant changes on what the City needs to be doing but the number one thing now required are written procedures on how the City determines the costs allowable under each Federal program.

Laura asked if it had to be done program by program or could it be an 'umbrella' sort of thing and Brad stated that department by department is the best way to do it. Mike said that they have already begun asking deeper questions about documentation and the departments are starting to comply. He also stated there would be a training in March to better educate the departments.

At David's suggestion a discussion ensued about the Urban Renewal's asset ownership with the committee and Brad. David was directed to the most current documentation that addressed his concern. It was concluded that, once the most recent documentation was reviewed, the assets he was concerned about were correctly positioned in the Financial Statement.

V. UPDATE ON CAFR TIMELINE AND PROGRESS

REVIEW AUDIT PROCESS

Mike spoke to the fact that although there was an agreement that the audit could be completed by December 31st that deadline just wasn't made. He put together a report as to what happened on his end and said that Brad was going to add his side.

He stated that the biggest reason for the delay was the transition between auditors. That coupled with the complexities of the new GASB 67 & 68 made it impossible to finish on time. Mike was asked to explain GASB 67 & 68. Laura asked if they were new rules or rules that the City had failed to follow. Mike answered that they were new rules and that they are much more complex than the already complex GASB 34.

The subject of Financials being done by the City rather than the Auditing Team was brought up. Mike took on the task of creating the financials and, due to the new regulations, it turned out to be extremely complex and took up a considerable amount of time. Spencer expressed that, although it was a noble effort on Mike's part to do everything in house, the City really needed him to go forward with the goals the City. It was agreed by all that due to the complexity and the amount of time needed that it was best to have the Audit Team Bolt, Carlisle and Smith, create the Financials. Also, Brad stated that his firm had comprehensive (and expensive) software programs in place that made the process much quicker than using Excel spreadsheets. There was brief talk about purchasing the same type of software for the City but the conclusion was that it was cost-prohibitive.

David questioned whether or not the RFP response included preparing a financial statement. It was explained to him that it was decided the City would do the Financial Statement draft and that the fees reflected that. David said he just wanted to make sure it was all clear and Spencer said he'd review to make sure but believed it all to be correct.

Brad clarified that the City will still be helping to draft the Financial Statements and that it will have to internally have a process to go through to review and approve any of the adjustments that are made. He said that there is still a huge roll to play for the City.

David asked if both audit reports had been filed. Mike informed him that they had been filed and that they were dated January 22nd, 2015 for the City and January 29th, 2015 for Urban Renewal.

VI. DISCUSS ORGANIZATION for the PRESENTATION of AUDIT REPORTS TO CITY COUNCIL

Discussion ensued about the City Council meeting on March 7, 2015. It was decided Mark would open with an 'umbrella statement' dealing with how we did procedurally and Mike to present the Financial piece.

VII. AUDIT COMMITTEE COMMENTS & SUGGESTIONS

The committee commended Mike and Spencer for a good job dealing with the challenges presented. It was agreed that outsourcing the Financial Statements was the best way to proceed in the future. A question was asked of Mike about how the Caselle Software was working and he replied that the issues were ironed out and that it's working very well for the department.

VIII. PUBLIC COMMENT

Ellen Brouston made a brief comment.

IX. SCHEDULE NEXT MEETING

It was determined that the next meeting would be scheduled at a later date. There was a brief discussion about the meetings for the year during the audit process. It was decided that 3 meetings a year as a regular schedule would suffice. It was stated that the intention is always to have the final meeting prior to the December 31st deadline and in the future effort would be made to ensure that happens.

Proposed timeline for meetings was: Late June/Early July; Late September/Early October; Early to Mid-December before finalization of final report. All agreed that this was a good schedule.

MEETING adjourned at 3:28 p.m.