

Audit Committee
City of Newport/Newport Urban Renewal Agency
October 3, 2017 Minutes

I. CALL TO ORDER

The meeting was called to order at 1:05 p.m. by Laura Swanson, Chair.

In Attendance: City Manager Spencer Nebel, Councilor David Allen, Councilor Laura Swanson, New Audit Committee Member Glenda Rhodes, Finance Director Mike Murzynsky, Assistant Finance Director Linda Brown, Staff member Linda Wertman, Audit Manager Jessica Luther-Haynes and Brad Bingenheimer Partner both with Boldt, Carlisle + Smith Certified Public Accountants.

Absent: Mark Saelens, Alternate Audit Committee Member

II. INTRODUCTIONS

The attendee's present made introductions.

In light of the new committee member, Spencer Nebel handed out the section of the municipal code that applies to the Audit Committee and its functions. The committee was formed by resolution in 2011, and was codified last year in 2016. Spencer discussed some of the aspects of the committee's make-up, role, and meeting schedule. David Allen provided historical background on why a meeting date between the Committee and Auditors was established in the spring, suggesting that perhaps a spring meeting was no longer necessary.

Glenna Rhodes the new Audit Committee Member gave a brief description of her experience and background, which includes 34 years' experience in public accounting and previous experience as an Audit Director. She was welcomed to the committee.

III. UPDATE FROM AUDITOR ON-SITE AUDIT WORK

Brad Bingenheimer reported that the audit team is on site this week. They will be conducting year-end audit work and will be reviewing substantial procedures over all account balances and major classes of transactions. In addition to that, because the City expended over \$750,000 in federal grants. Jessica will be conducting audit procedures under the Single Audit Act and the new Uniform Guidance. She will first determine how much federal expenditures the City actually have been expended, because some of the reimbursements from the State of Oregon have been unclear. One major program has been selected, that meets the criteria this will require additional procedures review. Those procedures include understanding the internal controls over applicable compliance requirements, and reviewing the compliance with those federal rules.

Brad stated that Professional Standards require that he ask if the committee if it has any concerns or knowledge of anything that may be considered fraudulent. David Allen discussed how the City council has addressed this in the past.

Brad stated that some adjustments have been identified already and entered in the financials.

Brad stated certain vital information requested two weeks prior to the arrival of the audit team was not received until last Friday. The late arrival of information may put them behind but they are still shooting for an early December issuance. Mike explained that the finance department has been short staffed and they were not able to start working on the audit in a timely manner. This was the primary reason for the delay in getting the auditors the requested information.

Brad reported that there was only one new accounting pronouncement this year, a footnote disclosure item regarding tax abatement, which will be worked out with the county. He went on to explain the tax abatement process.

Jessica explained this year the project under review by the federal single audit process is the FEMA funded Home purchase, for the 70th Street landslide. They are also looking at accounts payable, accounts receivable, cash processing, cut offs, and other year-end processes. Mike explained much of the division of duties mentioned in the past minutes has been addressed. Linda Brown is no longer doing the larger reconciliation, this task has been moved to John DuBois who does payroll, and Linda has taken over reconciling payroll accounts. Glenda asked who did deposits. Mike stated Richelle Burns does the daily deposits. Glenda commented that she has had checks that took two to three weeks to clear her bank in the past but they have been timelier in the last six months. Brad explained the processes of the audit.

IV. COMMITTEE QUESTIONS, COMMENTS, & DISCUSSION

David Allen asked what the timeline was for the transition to having the Comprehensive Annual Financial Report (CAFR). Mike responded that we are just about ready, if we wanted to go this year we probably could. He has postponed it to next year because of running behind on the audit; it does require an additional review by the auditors. David asked from a policy standpoint, if we can get an extension from the state, which we have received in the past, the choice is getting the audit done before December 31, and timely filed, or getting an extension and having a CAFR that is filed in January. Spencer stated he would just as soon get this audit done and work on the CAFR for next year. A complicating factor for getting it done this year is that Linda Brown is retiring in January, we want to have the new Linda in place and the ability for Linda and Mike to spend as much time with that person as possible, prior to entering into the budget period.

David Allen asked Brad about the timing of meetings for the Audit Committee. He stated last year we met on June 21 for a pre-audit meeting, and he was not sure why we did not have that meeting this past year. He noted that we then met in November, which was an update on the status of your fieldwork, and met again in January after the Audit was filed with the State, where we went through the document with you. Then we met separately to divide out who was going to give the report to the City Council. David posed the question, as an Audit Committee do we want to meet before the end of the fiscal year, or do we want to wait until we are at this point; and then meet before or at the time the audit report is filed so we can get an update of what the final document looks like. We could meet a third time at the first of the year if necessary so we can go through as a committee to see how we want to present the report to the council. So either three or four meetings. David asked if there is really a need to have the meeting at the end of the fiscal year.

Brad expressed that he appreciates that meeting in June from an auditor's perspective. It gives the auditors an opportunity to find out from the committee if there is something that has happened over the year that they should know about prior to starting the planning process for the audit. This meeting is also

a time that the auditors can inform the group of any pronouncements that have occurred and the effect and work that the City will have to do to comply with any new requirements. Other big changes coming up over the next year are a reworking of the other post-employment benefits as well as big changes on leases.

There was additional discussion on the meeting schedule and number of meetings. The consensus was that there should be four meetings, three with the Auditors and one with just the committee. The pre-audit meeting should be scheduled at the end of the fieldwork week on either a Thursday or Friday. It is the auditor's preference to come in June for the first review.

Glenda asked to see the management letter for the audit. Brad explained that this letter is towards the back of the report.

Brad discussed the changes in the law this year that requires any findings made under the Oregon Minimum Standards Report, Government Auditing Standards, or Single Audit Act the City will be required to adopt a written plan of action and submit that plan to the Secretary of State's office. This is a new requirement for this year. The State Summary Revenues and Expenditures Form has been modified to include the number and types of findings found in audits.

David asked Brad if he could prepare a written summary of any issues observed over the next week that the committee should know about before the report is finalized. If there are no issues, no report is necessary. This would allow individual committee members to call Mike or Spencer to get clarification on any issues reported. David asked if Mike could send out the summary to the committee members.

Laura Swanson asked if there were any further questions. There were no further questions.

V. APPROVAL OF MINUTES

MOTION: David Allen moved to approve the minutes of February 18, 2016, June 21, 2016, November 23, 2016, and January 12, 2017 as written. **SECONDED:** Glenda Rhodes. The motion carried unanimously in a voice vote.

VI. PUBLIC COMMENT

No members of the public were present, and no comments provided.

Meeting adjourned at 1:42 p.m.