

Audit Committee
City of Newport/Newport Urban Renewal Agency
October 24, 2019 Minutes

1. **CALL TO ORDER**

Chair, Councilor David Allen, called the meeting to order at 10:05 a.m.

2. **INTRODUCTIONS**

In Attendance: Chair Councilor David Allen, Public Audit Committee Member Glenda Rhodes, Committee Member Councilor Dietmar Goebel, Finance Director Mike Murzynsky, Recording Secretary Capital Projects and Grant Accountant Linda Wertman, Boldt Carlisle +Smith CPA Audit Manager Jessica Luther-Haynes.

3. **APPROVAL OF MINUTES**

Chair Allen asked if the committee had reviewed the draft minutes and if anyone had changes. No changes requested. **MOTION:** Member Rhodes moved to approve the minutes of July 30, 2019. **SECONDED:** by Member Goebel. The motion carried unanimously in a voice vote.

4. **AUDITOR UPDATE FROM THE ON-SITE AUDIT WORK**

Audit Manager Jessica Luther-Haynes from Boldt Carlisle +Smith began the discussion; Haynes stated that the audit team, which consists of four auditors, arrived at the city on Monday and will stay through mid-day tomorrow. The team was able to work on several areas of the audit last week at the office with information Mike and his team submitted on the shared drive. Haynes stated they are over half way through the audit work at this point. The City is subject to the single audit this year. The City of Newport expended roughly \$2.4 million in federal expenditures; \$2.2 million of these expenditures utilized the Clean Water State Revolving Fund (CWSRF) loan, largely funding the Agate Beach project.

Haynes stated there have been no findings as of yet associated with the single audit, and she does not anticipate that there will be any. As for the financial statement portion of the audit, there has been significant transactional testing and have finished the accounts payable cut off testing, and expenditure testing is now completed. We have a few outstanding items for accounts receivable but there have been no findings thus far. There has been some detailed testing in Payroll with no significant issues identified. Thus far, there is no reportable conditions in those areas. The only item that has been noted is related to ORS 279, which requires that you get three formal bids on projects over a \$150K. The Fuel Farm project at the airport was a little over \$300K and there were no formal bids received on that, which is a violation.

Chair Allen stated that the City has public contracting rules and have been awaiting the update of their purchasing policy/procedures for over five years. The policy currently in place is from 2011 from Speer Hoyt. Allen asked Murzynsky if there is anything in the policy that needed to be adjusted to conform to that requirement or was this just an oversight. Murzynsky stated that in this particular situation, it was just an oversight and this requirement was included in the 2011 policy. Murzynsky stated when this situation came to light about two months ago, Manager Nebel asked where we were with the purchasing program and was informed that we had the draft document on the policy and procedures ready and the goal was to put the new procedures in place on July 1, 2020. Before we can implement the program, we need to distribute the written procedures to the department heads for comment, take it to city council, implement the purchase order component in Caselle (our accounting software), and train users. There was general discussion regarding the repercussions of not getting the bids and the corrective action report that will be reviewed by the committee and submitted to council for approval.

Haynes stated that the Fuel Farm Project was the only issue that has been identified so far and there was many projects tested with only this one issue. The City has come a long way since the first year they audited.

Chair Allen suggested that as part of the procurement policy, department heads should run these larger contract through finance and legal to ensure there is a fail-safe for following the correct procedures when issuing contracts. Finance and the legal department should be reviewing contracts. Murzynsky suggested that when the process is started they should consult with finance. There was discussion about training staff on procurement policy in the future.

Haynes stated the City did not have any significant new standards to implement this year. With GASB 75 already out of the way the only other standard that was new this year was GASB 88, which just required a few long-term debt disclosures in the footnotes. Haynes reported that there is not a much going on next year with GASB, but the following year 2021 is when the new lease standard will be implemented. Allen asked Haynes what the additional requirements would be for the auditors and the City on leases we currently have in place or are considering. Haynes reported that all leases must be recorded as a capital lease and will go on the long-term debt schedule. Leases over a year are subject to this new standard. There was general discussion on City leases. Dietmar asked about the old pool lease and there was discussion regarding the pool lease. Murzynsky stated that the finance work group would be addressing that issue in the future.

Haynes stated that concludes her report. Allen asked if the audit would be received by the City in mid-December, Jessica discussed the process and discussed how last year audits were behind. There was general discussion regarding the Auditors organization and the thresholds of the single audit.

Haynes left the meeting at 10:35a.m.

5. **REVIEW AND APPROVE FY 2019-20 MEETING SCHEDULE:**

Chair Allen referred to the schedule handout and went through the handout. Member Rhodes stated that she had a trip coming up but would schedule the trip in between the January and February meetings. Murzynsky stated this schedule is tentative and can be changed as needed. The committee discussed the timeline for the RFP. Murzynsky stated Manager Nebel wants to contract for three years with two one year extensions. There was discussion regarding the current audit firm. **MOTION:** Member Rhodes made a motion to approve the FY19-20 Meeting Schedule subject to any modifications **SECONDED:** by Member Dietmar. The motion carried in a unanimous voice vote.

6. **REPORT ON POSSIBLE LANGUAGE CHANGES TO THE ROOM TAX ORDINANCE AND DRAFT OF AN AUDITING PROGRAM**

During the discussion regarding the meeting schedule the following discussion occurred.

Chair Allen discussed the review of the Room Tax Audit issue. Murzynsky reported what he has been working on and information he would be collecting. Chair Allen discussed questions he posed at a recent council meeting when discussing the Rogue Room Tax issues. Chair Allen also discussed challenges, procedure processes. Dietmar asked if the formulas and calculations used for room tax assessment are defensible and Murzynsky stated that they were. Chair Allen proposed the need for written policies. Member Dietmar stated his concern that everyone is treated the same. Consensus was that the working group should take this on. Murzynsky stated that he needs to get direction from Manager Nebel on the direction he wants to take but he will know more after the November Council meeting. This issue will be discussed again at the January 23rd meeting.

7. **PUBLIC COMMENT**

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

8. **COMMITTEE COMMENTS:**

9. **ADJOURNMENT**

Chair Allen adjourned the meeting, at 11:05 am.