

Audit Committee Meeting Minutes

January 19, 2016

Members Present: Jesse Boumann, Scott Churchill, Troy Reichlein and Mack Stilson

Members Absent: None

Staff Present: Casey Camors, Bonnie Dennis, and Judy Serio

Talbot, Korvola & Warwick, LLP (TKW) Representatives Present: Julie Fahey and Josh Kam

Citizen(s) Present: None

Chair Reichlein called the meeting to order at 3:02 pm.

Introductions were done.

Approval of Prior Meeting Minutes

Chair Reichlein made a motion to approve the June 18, 2015 minutes; Mr. Stilson seconded the motion. Motion passed unanimously.

EthicsPoint Hotline Update

Ms. Dennis stated EthicsPoint is currently being tested by the directors. Implementation will be soon. Employees will be introduced to the system at the next all employee meeting. The Pilot and social media will be used to inform citizens.

Review of Audit Results

Ms. Fahey began by stating TKW issued a clean opinion of the City's financial statements followed by reviewing the Comprehensive Annual Financial Report for fiscal year 2015. The Management's Discussion and Analysis section offers a good overview of the City's financial activities for the year.

GASB 68 (Accounting & Financial Reporting for Pensions) was a significant accounting policy implementation. The Independent Auditor's Report, mentions the restatement of the June 30, 2014 ending balances (presented in the Statement of Activities) to reflect the adopted accounting requirements. On the Statement of Net Position, the City reported an asset for its proportionate share of the plan pension asset. In the Notes to the Basic Financial Statements, a comprehensive review with regard to decision-useful information and supporting assessments were added for the GASB 68 statement. In addition, there are two added schedules in the Required Supplementary Information section for the City's OPERS share and contributions.

Ms. Fahey continued to state that in July, the City issued general obligation bonds to refinance the 2012 TriMet loan that funded the Portland-Milwaukie light rail capital enhancements; the refinance reduced the City's interest rate by 50 percent. In September, the City issued full faith and credit obligations to fund the City's Riverfront Park project. Additionally this fiscal year the City was required to have a Single

Audit of Federal award money; auditors reviewed the Sport Fish Restoration Program (Riverfront Park); TKW issued an unmodified opinion with no deficiencies, however, there was a finding, the lack of the initial required check for suspension and debarment of the parties prior to entering into the contract.

Mr. Boumann asked who determined this process had not been done.

Ms. Camors responded the Finance Department prior to the audit by TKW; the Finance department initiated a proactive review and upon identifying the deficiency, made the required check.

Ms. Fahey asked for questions from the Committee.

Mr. Reichlein asked about the Supreme Court decision.

Ms. Fahey responded some portions of it had been overruled, which essentially increases the City's liability.

Mr. Reichlein asked what actuarial date will be used for June 30, 2016.

Ms. Camors responded it will be June 30, 2014; valuations only come out every other year. The budget for FY 18 will include a 4.5% increase.

Mr. Boumann asked if staff does their own testing of internal controls.

Ms. Camors responded Ms. Dennis has experience in this area and will look into matters she believes need attention.

Mr. Churchill added that contracting was one of those areas that had been looked at in the past and retraining of the staff has been done.

Mr. Boumann stated he assumes there are risks and asked if the City needs to comply with SOX.

Ms. Camors stated no but Councilors did have a concern with contracting, so the Accounts Payable position was evaluated and now includes a contract specialist role; Kelli Tucker has a very good system in place for City contracts. It is anticipated that within the next year, a formal risk assessment will be done.

Mr. Boumann asked if it was common for cities to perform a formal risk assessment.

Ms. Fahey responded it is not that common.

Mr. Stilson stated that is a concern of his as well and he looks more at a process.

Ms. Camors stated after arriving in Milwaukie, the Finance Department was revamped; internal controls were been implemented, there were changes to those given authorizing roles and overall implementation of mitigating controls.

Mr. Churchill asked if Finance is aware of any relationship conflict of interest such as related parties.

Ms. Camors responded Finance compare employees' addresses to the Accounts Payable vendor list; Kelli is very diligent with contracts and Accounts Payable to make sure departments are following contracting rules and will question or request supporting documentation if needed.

Mr. Churchill asked what department handles the bid opening process.

Ms. Camors responded each department is responsible for their own bids. As part of the audit, some contracts and all their related documents are reviewed. The newly established Right-of-Way and Contract Coordinator position will handle franchise agreements and the hope is to eventually have this position assist with contracts and centralized purchasing.

Mr. Boumann asked the auditors if City employees were receptive to their questions.

Mr. Kam responded employees always give timely answers to their questions.

Ms. Fahey added this is a reflection of a positive tone at the top established by Ms. Camors. The SAS 114 (Auditor's Communication with Those Charged with Governance) letter provides additional information about GASB 69 (Government Combinations and Disposals of Government Operations) which there is no impact to the City's current financial accounting and reporting in this statement. The GASB 71 Statement (Pension Transition for Contributions Made Subsequent to the Measurement Date) is an amendment to GASB 68 which relates to contribution amounts made by a local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Ms. Dennis added the two items on last year's SAS 115 (Communicating Internal Control Related Matters Identified in an Audit) letter have been fixed. There was no SAS 115 for this fiscal year because there were no adjustments necessary.

Mr. Boumann asked how many years TKW has audited the City.

Ms. Fahey responded this is their third year.

Ms. Camors provided a brief history of the Audit Committee and auditors.

Mr. Churchill asked Ms. Camors what is one thing to improve upon this next year, from an audit perspective.

Ms. Camors responded Finance will be working on the upgrade to Incode, the City's financial software; determining a process for Library cash handling.

Ms. Dennis agreed with Ms. Camors and added that every year the internal control system is getting better and stronger.

Mr. Stilson asked if IT has procedures.

Ms. Camors responded yes; the current director has been in that position for two years and has implemented many improvements.

Ms. Dennis added the auditors meet with the IT Director annually during the audit to review their procedures.

Discussion between committee and auditors

The Finance Staff (Casey Camors, Bonnie Dennis and Judy Serio) left the meeting and discussion ensued amongst the audit committee, Ms. Fahey and Mr. Kam.

Chair Reichlein adjourned the meeting at 4:00 pm.

Respectfully submitted,



Judy Serio, Accountant