

## **Audit Committee Meeting Minutes**

**June 18, 2015**

**Members Present:** Scott Churchill, John Fox, Troy Reichlein and Mack Stilson

**Members Absent:** None

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

**TKW Representatives Present:** Julie Fahey and Bryce Yamamoto

**Citizen(s) Present:** None

**Chair Reichlein** called the meeting to order at 5:30 pm.

### **Approval of Prior Meeting Minutes**

**Chair Reichlein** made a motion to approve the January 6, 2015 minutes. Mr. Stilson seconded the motion. Motion passed unanimously.

### **Fraud Hotline Implementation**

**Ms. Camors** stated a supplemental budget adopted in December had \$10,000 allocated to purchase fraud hotline software. Ms. Dennis will present the information collected from four companies.

**Ms. Dennis** explained the scope of the hotline that was originally discussed and approved by the Committee. Hotline features that were important included anonymity, case management which included the ability to communicate to the reporter via a case number in case further questions were needed. Reporting, software highlights, expertise and costs were presented for Navex (EthicsPoint), Convercent, InTouch, and Fraud Hotline.

**Ms. Camors** added a case management component is very important. Most government entities use EthicsPoint.

**Chair Reichlein** asked the next step.

**Ms. Camors** responded the Committee can discuss the results and make a decision if they are ready.

**Chair Reichlein, Mr. Fox, Mr. Stilson** each agreed to proceed with EthicsPoint. **Mr. Churchill** was not yet present.

**Ms. Camors** asked which member of the Committee would like to be on the notification email when inquiries are received.

**Chair Reichlein** stated he would like to receive notification; he stated another Committee member could be on the notification as well.

**Mr. Stilson** stated he would like to be notified.

**Mr. Fox** stated he would like to be notified.

**Ms. Camors** stated all four Committee members will be notified. The software will be marketed to employees. As inquiries are received, Ms. Camors and Ms. Dennis will do the initial research and then send information out to members. Software tutorials will be provided to members.

**Mr. Fox** recommended notifying citizens of the hotline by publishing it on the utility bills.

**Mr. Stilson** recommended the Pilot mention the hotline. He asked if the software will be tested prior to going live.

**Ms. Camors** responded yes.

### **Audit risk assessment and scope / Audit Plan**

**Ms. Fahey** began the discussion stating the City's interim audit will be August 10 – 21, 2015 and will include a Single Audit for the Federal funds that have been expended this fiscal year. Final fieldwork will be November 9 – 20, 2015.

**Chair Reichlein** asked what Federal funds have been received by the City.

**Ms. Camors** stated the City received Federal funds for the Riverfront, 17<sup>th</sup> Avenue and smaller amounts including bullet-proof vest reimbursement. A question was asked if the super circular will reduce the amount of work for the audit.

**Ms. Fahey** responded the audit work will be as much, if not more, due to the super circular; compliance requirements have been combined. The auditors will perform the single audit during the interim. Additionally, a walkthrough and testing of internal controls will take place, and a review of the trial balance. During the final fieldwork, there will be financial testing of the balance sheet and income statement. TKW will issue the audit report, Secretary of State report and two additional reports for the Single Audit.

### **Changes in accounting and auditing standards**

**Chair Reichlein** asked if there are any changes in standards.

**Ms. Fahey** mentioned GASB 68, Accounting and Financial Reporting for Pensions, will require the City to show PERS as an asset on the financial statements; pending litigation would change the classification to a liability.

**Ms. Camors** added more in depth information on the Supreme Court ruling for PERS is final and added that the City may show a liability on the City's statements. The ruling requires the rates to take effect July 1, 2017; the City will likely see a significant increase in those rates.

**Chair Reichlein** asked what is meant by asset.

**Ms. Fahey** responded that all cities will be showing the number as an asset, it is based on actuarial tables.

**Chair Reichlein** asked if the City has a ballpark number.

**Ms. Camors** responded it is difficult to say because it is based on actuarial tables; it will change the budget since rates will increase. All governments are in the same situation, not just Milwaukee. The original reduction was 4.4% but since only some elements were found unconstitutional, it's anticipated that something less than that will impact the rates but coupled with other rate elements, the increase could be significant.

**Ms. Fahey** continued with GASB 69, Government Combinations and Disposals of Government Operations, will not affect the City. GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, is an amendment of GASB 68 relating to deferred outflows.

#### **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. Yamamoto.

#### **Other business**

**Ms. Dennis** shared with the Committee that the City received the GFOA award for the FY 2014 CAFR; there were only three minor comments. The City should be hearing about the FY 2014 PAFR soon. The next meeting will be held after the audit, most likely in January.

**Chair Reichlein** adjourned the meeting at 6:20 pm.

Respectfully submitted,

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Judy Serio, Accountant