Audit Committee Meeting Minutes
March 28, 2013

Members Present: Scott Churchill, Jon Stoll, Macy Ray, Troy Reichlein

Members Absent: None

Staff Present: Casey Camors, Richard Seals, Judy Serio

Citizen(s) Present: None

Camors called the meeting to order at 5:30 pm.

Approval of Prior Meeting Minutes
Inaugural meeting, no prior minutes to approve.

Camors gave a brief introduction why the Committee was formed. The formation of the Committee was on the Finance Director's priority list since Casey and Richard arrived at Milwaukie. Prior to establishing the Committee, internal assessments and reconfiguration of processes were done.

Seals added an Audit Committee is best practice but not required of a City.

Camors reviewed the Committee's priorities listed within the resolution. She stated the purpose of the Committee, which is outlined in the GFOA's Best Practice Audit Committees handout. Ms. Camors also emphasized the Committee should be comfortable to discuss issues without the Finance Director at any time during their meetings. Bill Monahan will attend the Committee's meeting when audit results are presented.

Stoll asked if within the scope of internal control, would certain issues of IST disaster recovery be involved.

Camors responded it can be; members should evaluate what is included in the audit cost.

Seals responded the audit always ties back to a financial audit but firms are willing to audit some other areas, as they have a financial or internal control issue, requested by clients on a limited basis.

Churchill stated Council wants more than a boiler plate audit. He mentioned certain areas of concern.

Camors stated contracting is an area of concern; there is quite a bit to evaluate and build appropriate processes.

Ray asked if the Audit Committee will be drafting a charter.

Camors responded the Committee was formed by resolution. If the Audit Committee and City Council want to draft a charter, that can be done, but not really necessary

Camors recommended the Committee review information provided and currently focus on a financial statement audit. The firms selected tonight will be asked to present at next Thursday's meeting. A City can contract with financial statement auditors and hire a second auditor for other types of audits.

Stoll asked if other committees can request these other types of audits.

Churchill spoke in detail about contracts and purchasing.

Seals encouraged members to ask questions of the firms, to include what other areas of the audit are included.

Reichlein asked how Council will express areas of concern to the Audit Committee. Does the Council have any areas of concern right now?

Churchill stated he is the Council representative and he believes his opinion reflects Council majority; he would like to see this Committee advise Council on areas of concern.

Ray asked how the City Manager identifies risks.

Seals responded with feedback provided from Department Heads or citizens and committee members. The City is working on implementing a fraud hotline.

Camors explained Polar Systems has performed an IT assessment. Currently, there is a consultant working with the IT Department and a West Linn IT person assisting with daily operations.

Camors continued reviewing the packet with members. Ms. Camors reviewed the audit calendar; she mentioned the audit firm selection process will have this Committee meeting five times this calendar year.

Churchill asked members and staff to list areas of interest. The group listed the following: contracts, IST, cash receipting, tickets, Building Department, SDC, benefits, billable rates versus deposits.

Camors reiterated the above list does not mean there are problems just that there is not a full understanding of the process of each area by Finance.

Camors called for the election of a Chair and Vice-Chair. The Chair's main role is to facilitate the meeting.

Stoll made a motion to nominate Reichlein for Chair; Churchill seconded. All members were in favor. Reichlien accepted the Chair position.

Reichlien asked for Vice-Chair nominations. Stoll made a motion to nominate Churchill for Vice-Chair; Reichlien seconded. All members were in favor. Churchill accepted the Vice-Chair position.

Camors stated six firms responded to the RFP process. Grove Mueller Swank has been with the City for over twelve years. Ms. Camors explained the evaluation summary sheet.

Stoll disclosed his spouse works for TKW's consulting division.

Stoll asked how many firms will be interviewed.

Camors responded three to four. Audit Services budget is $26K this year.

Churchill stated Moss Adams would be beneficial to interview, even if their price is high; might give Committee good idea of what can be offered to the City.

Camors was asked to offer her perspective of TKW since she is a former employee and they are West Linn's auditors.

The Committee decided to invite the following firms for interviews: TKW, Merina, Moss and GMS. Each firm will have 20 minutes to present and answer questions. The interviews will be held beginning at 5:30 pm on Thursday, April 4th at Milwaukie City Hall.

Reichlein asked if there would be a budget issue if a selected firm is more than the budgeted number for FY 2013.

Camors responded Finance would find the funds and a supplemental budget would be done.

Camors stated she will draft questions and asked members to email any questions they would like to ask the firms.

Ray asked if there is a conflict of interest given Stoll's spouse works for one of the firms. Mr. Stoll determined that there is not a conflict at this time. Mr. Stoll fully disclosed his connection to TKW. If in the future, TKW was a finalist to provide consulting services, Mr. Stoll would be asked to abstain from voting.

Camors presented the Finance Department's plan; Ms. Camors' last day with Milwaukie will be April 12th. After this day, Rina Byrne and Richard Seals will be the main contacts.

Camors stated the Finance Director recruitment is in process. The Audit Committee will be informed once a candidate has been selected.

Camors mentioned last year's audit had two deficiencies; one in the Water Fund and the other in the Transportation Fund.

It was moved by Stoll and seconded by Churchill to adjourn the meeting. Motion passed with the following vote: Churchill, Stoll, Reichlein and Ray [4:0].

Stoll adjourned the meeting at 7:43 p.m.

Respectfully submitted,

Judy Serio

Judy Serio, Accountant