

Audit Committee Meeting Minutes

January 6, 2015

Members Present: Scott Churchill, John Fox, and Troy Reichlein

Members Absent: Macy Ray

Staff Present: Casey Camors, Bonnie Dennis, Judy Serio

TKW Representatives Present: Rob Moody

Citizen(s) Present: None

Chair Reichlein called the meeting to order at 4:03 pm.

Approval of Prior Meeting Minutes

Chair Reichlein asked for a motion to approve the June 26, 2014 minutes. Mr. Fox made a motion to approve the minutes as written and the motion was seconded by Chair Reichlein. Motion passed unanimously.

Fraud Hotline Implementation

Ms. Camors stated a supplemental budget adopted in December had \$10,000 allocated to purchase fraud hotline software. The Committee will need to determine what parameters they would like to see in the software such as the ability to have both citizens and staff log complaints; the ability to log complaints online and via the telephone; for reporting purposes, should the same City staff person receive all the logged complaints. The Finance staff will have the software specifications and quotes ready for a spring meeting of the Committee.

Chair Reichlein asked how the City will communicate to citizens when the hotline is available.

Ms. Camors answered citizens can be notified via the City website, the Pilot and via the monthly utility bills if so desired.

Mr. Churchill would like the software to have the ability for both citizens and staff to log complaints.

Mr. Fox agreed.

Mr. Churchill asked how responses should be handled if a myriad of complaints are received. He also would like to know how complaint responses will be tracked.

Ms. Camors explained the process used by Ethics Point, a fraud hotline software package implemented by West Linn. Ethics Point software tracks the complaint and the response and allows anyone with authority to view the responses.

Mr. Moody offered that citizens will use the software responsibly.

Ms. Camors gathered the Committee's software specifications. The Committee expressed that the hotline should be inward and outward facing allowing employees and citizens to report suspicious activity. The reporting system should log complaints via the internet as well as by phone. The complaint distribution system should be complex enough that those noted in the complaint are not recipients of the complaint. The Committee prefers if the recipients are as follows: Finance Director, Assistant Finance Director, City Manager, and the Audit Committee Chair at minimum. The Committee does not believe that the City Council needs to be included in the complaint distribution. The system should also have sufficient tracking on the complaint and the resolution to show all comments and actions taken on the complaint from inception to resolution.

Review of Audit Results

Mr. Moody began the discussion stating the audit was completed and TKW's report was issued on December 22, 2014. The audit went very well; staff was helpful and Bonnie's preparation of the audit work papers and the CAFR was outstanding. The SAS 114 report was reviewed with the Committee; it was pointed out that the fixed assets' change in depreciation does not affect the City's cash position. The City will implement GASB 68 for the fiscal year 2015 audit; this statement is to improve accounting and financial reporting for pensions.

Mr. Churchill asked if a special footnote could be included in the CAFR next year regarding GASB 68, so the information does not get buried.

Mr. Moody responded the information will be addressed in the MD&A section, and detailed notes under Pensions.

Mr. Moody continued with GASB 69, this will not have an impact on the City; this statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The SAS 115 report outlines any internal control issues. One material weakness was reported on municipal court receivables; the court receivable was not included on the Statement of Net Position in prior years due to accounting system reporting issues but again, this issue does not have any effect on the City's cash position.

Mr. Churchill asked for specific language to explain this matter if asked by a citizen; due to the court issue a few years ago, it would be good to have language ready to explain the material weakness.

Ms. Camors stated that the reports issued by TKW are final and that this material weakness is solely based on court receivables and not cash. Additionally, a resolution for the corrective action plan, which is required by the State and has already been implemented, will be presented to City Council. Such information will be sufficient for any type of communication with the public.

Mr. Moody stated TKW issued a clean or unmodified opinion and City staff prepared the financial statements. He encouraged the Committee to read the MD&A. The Committee was directed to page 26 of the CAFR to note the court's cumulative effect of correction of error; on page 46 of the CAFR the

restatement was explained. GASB 65 is reflected for the first time on page 27; this statement reclassifies previously reported assets and liabilities as deferred outflows of resources or deferred inflows of resources, the statement is explained in more detail on page 38.

Mr. Churchill asked about the contract process in place by the City. He noted the new audit firm was money well spent.

Mr. Moody responded there has been constant communication between City and TKW staff when potential issues arise.

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 and Mr. Moody.

Chair Reichlein adjourned the meeting at 4:55 pm.

Respectfully submitted,



Judy Serio, Accountant