

## **Audit Committee Meeting Minutes**

**June 26, 2014**

**Members Present:** John Fox, Macy Ray, and Troy Reichlein

**Members Absent:** Scott Churchill

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

**TKW Representatives Present:** Rob Moody, Bryce Yamamoto

**Citizen(s) Present:** None

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

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

**Chair Reichlein** asked for a motion to approve the June 27, 2013 and February 4, 2014 minutes. Mr. Fox made a motion to approve and the motion was seconded by Ms. Ray. Motion passed unanimously.

**Ms. Dennis** reviewed the purpose of the audit and role of the Audit Committee.

### **Risk Assessment and Scope**

**Mr. Yamamoto** stated the same audit approach as last year will be utilized. The audit approach is risk-based; it will focus on high risk areas determined by sampling. Similar to last year, the audit is a high-level overview.

**Mr. Moody** stated the auditors will close the loop on last year's issues during the interim audit. There has been no change in auditing standards.

### **Audit Plan**

**Ms. Dennis** reviewed the audit plan. Annual audits are due to the Secretary of State Audit Division by December 31<sup>st</sup>. The interim audit will begin on July 14<sup>th</sup> and is scheduled for one week. The financial audit will be November 17<sup>th</sup> through November 26<sup>th</sup>. Reporting of the financial audit back to the Audit Committee will be in January or February 2015.

**Ms. Ray** asked if the preliminary audit will be used to define the scope of the audit.

**Mr. Yamamoto** responded yes.

**Ms. Camors** asked if the Committee would like to present to City Council what will be done during the audit.

**Chair Reichlein** responded that is not a bad idea and was under the impression last year that is what was going to happen.

**Ms. Camors** stated an arrangement could be made for the Committee to speak at a City Council Work Session next month.

**Mr. Moody** asked if the Committee would like to view the audit draft before the final audit is issued in December.

**Ms. Camors** stated the draft could be emailed to the Committee if that was acceptable.

**Chair Reichlein** asked if concerns arise during the audit, are there mechanisms in place to communicate between the Audit Committee and City Council. It is difficult if the City Council liaison is absent to have that link between the two groups.

**Ms. Camors** stated it would be ideal for the Committee to attend the late July or August Work Session to report on the interim audit and again at a Work Session after the financial audit is complete, possibly January.

**Mr. Moody** agreed to provide the Committee with status updates this audit season.

#### **Significant Issues Relevant To the Audit**

**Ms. Dennis** presented the significant issues relevant to the prior-year audit. The first comment was the Utility Billing clerk should not be taking payments and have the ability to make utility account adjustments; this has been resolved, the clerk no longer takes utility payments. The second comment was in regards to Court Receivables not booked; the software reports are real time and do not allow users to go back to a specific date. Finance is now receiving monthly reports and will summarize at year end. The third comment was related to vendor change reports; a review of any changes done to a vendor should be reviewed. The Assistant Finance Director is receiving this report and reviewing it every check run.

**Mr. Moody** asked if the Finance department is cross checking employee addresses to vendor addresses.

**Ms. Camors** responded yes, once a year.

**Ms. Dennis** continued with the fourth comment that Pcard transaction amounts are debited automatically from the City's checking account; controls have been implemented such as physical signatures on the Pcard statements. Each card has parameters, such as transaction limits, and the City can dispute charges with the bank. Under the contract, Wells Fargo credits the cash and will work with the vendor directly if the City disputes a charge. The fifth comment was regarding the depreciation calculation on Capital Assets; this was corrected in FY 2013; depreciation was being calculated based on allocation and now is calculated on an item-by-item basis. The final comment was in regards to the Library cash box; the cash box has been moved to a locked filing cabinet with limited access during non-business hours.

**Ms. Camors** added most of these comments will come up again this year, since processes were implemented mid-year.

### **Changes in Accounting and Audit Standards**

**Mr. Moody** discussed GASB 65's impact on the City's financial statements. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. It will affect the financial statement layout. Next year, GASB 68 will be implemented; this statement is Accounting and Financial Reporting for Pensions. Reporting for pensions will be presented as a liability and will change the information presented on the financial statements.

**Ms. Camors** added the GASB 68 statement would be worth mentioning to City Council during the presentation at the Work Session; as this statement can be misinterpreted.

**Mr. Moody** continued with GASB 69, Government Combinations and Disposals of Government Operations and GASB 70, Accounting and Financial Reporting for Non-Exchange Financial Guarantees, both statements have no impact on the City.

**Mr. Moody** asked the Committee and staff if anyone was aware of actual or alleged fraud occurring within the City; he stated if there is, this is the time to disclose such concern. The Audit Committee members and staff responded no.

**Ms. Camors** added the City should research implementing a fraud hotline and website; both would be available to citizens and staff. An independent third party monitors both the hotline and website. If the Audit Committee supports this idea, the City can obtain quotes from vendors for this service and present them to City Council.

**Ms. Ray** offered to obtain the name of the company used by her employer.

### **Discussion Between Committee and Auditors**

The Finance staff of 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 6:30 pm.

Respectfully submitted,

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Judy Serio, Accountant