

**City of McMinnville
City Council Audit Committee
Meeting Minutes**

Date: June 18, 2009, 3:00 p.m.

Audit Committee: Scott Hill, City Councilor, Chair of Audit Committee
Kellie Menke, City Councilor
Travis Parker, Budget Committee member

Auditor: Rob Moody, Talbot, Korvola & Warwick, LLP
Kristi Russo, Talbot, Korvola & Warwick, LLP

Staff: Kent Taylor, City Manager
Marcia Baragary, Finance Director
Laurie LeCours, Technical Services Accountant
Julie Orth, Accountant

Introductions

Rob introduced Kristi Russo who is new to Talbot, Korvola, & Warwick, LLP (TKW) and will be the manager on the City's audit. All others introduced themselves.

Audit Approach

Kristi explained the audit approach TKW will use for the fiscal year ending June 30, 2009 audit.

- ♦ Risk based – understand risks at the City and make sure to cover them in the audit
- ♦ Internal controls – gain an understanding of the City's internal control system by updating last year's narratives, testing transactions, and performing walk throughs
- ♦ Major funds – perform major fund calculation and audit accordingly
- ♦ Oregon budget law – ensure the City is in compliance with Oregon budget law
- ♦ Single audit – perform a single audit of the City's federal expenditures with the airport project being the major program
- ♦ Interim fieldwork – August 3-7, will focus on internal controls and single audit planning
- ♦ Year-end fieldwork – November 9-20, will focus on testing transactions
- ♦ Report issuance – the goal is to have the Comprehensive Annual Financial Report (CAFR) issued by December 15

Miscellaneous Audit Items

Since the City has not had a single audit in the last few years, Rob explained what a single audit is and the significance. A single audit is special audit related federal funds. A single audit is triggered when an entity expends \$500,000 or more in federal funds. In the distant past, each federal agency (i.e. Department of Justice (DOJ), Housing and Urban Development (HUD), etc) would have their own rules, regulations, and audits. The single audit was developed to consolidate efforts so recipients would only have one audit, the single audit.

Rob also explained the importance of the timing between the end of fieldwork and the report issuance. Due to relatively new audit standards, the financial report needs to be issued fairly soon after fieldwork is completed. If the time span between the end of fieldwork and report issuance becomes too large, the audit firm will need to perform additional procedures to audit that time span after fieldwork, creating additional work for both the client and audit firm and additional fees.

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Rob confirmed that the City will not have any American Recovery & Reinvestment Act (ARRA) expenditures before June 30, 2009. Since there are significant audit implications related to ARRA expenditures, this will be in the City's representation letter.

Rob asked if anyone knew of any fraud or potential fraud in the City – everyone answered no.

Rob asked if there were any areas of the City that they wanted TKW to look at or focus on during the audit. Scott said he felt it was good to go to other departments but had no specific areas of interest. Laurie mentioned surprise cash counts at the satellite offices. Kent requested TKW review the cash handling procedures at the satellite offices.

Contract

The audit for fiscal year ending June 30, 2009 is the last year of the City's contract with TKW. After discussion, the Audit Committee requested TKW to bring back a proposal for another 5 years. The proposal will be just for the City since Water and Light might retain another audit firm. Since Water and Light is included in the City's CAFR, Rob explained the process TKW would go through to rely on another audit firm's opinion if Water and Light did retain another audit firm.

City Council Presentation

It was agreed that, at the end of the audit, Rob would present the CAFR to the Audit Committee and the Audit Committee would present the CAFR to the City Council.