

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

Date: March 26, 2007, 7:30 a.m.

Audit Committee: Kellie Menke, City Councilor
Scott Hill, City Councilor
Phil Olsen, Budget Committee member

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

Staff: Kent Taylor, City Manager
Carole Benedict, Finance Director
Laurie LeCours, Technical Services Accountant

Others: Nicole Montesano, News Register

Handouts: Audit Committee binder

- Agenda
- Management Letter
- Resolution establishing the audit committee
- Memo proposing the establishment of an audit committee
- Audit Committee Guide for State and Local Government Units

Overview

Carole reviewed the contents of the Audit Committee binder.

Kent reviewed the resolution establishing and setting forth the purpose and responsibilities of the audit committee. Kent also noted that the meeting is a public meeting and was advertised.

Management Letter

Rob reviewed the management letter.

1. End of the week deposits issue has been solved by purchasing a secure safe for the Finance Department.
2. Cash drawer access has been solved by instituting separate cash boxes by each Municipal Court employee and the Finance Department employee that receipts in cash.
3. Related to the excess cash item at the Community Center, Kellie felt strongly that satellite offices should be making deposits daily.
4. Audit Committee has been implemented.
5. Kent and Carole will continue to investigate an ethics hotline and will follow-up at the next Audit Committee meeting.
6. Carole noted that as of July 1, 2006, the City no longer had one employee handling both cash disbursement and cash receipts.

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7. Carole noted that the payroll, employee master file maintenance, capital asset, vendor maintenance, and accounts receivable issues as noted will be addressed during the new financial system implementation.
8. The need for a City Indirect Cost Plan will be reviewed after the financial system implementation is complete.

Statement on Auditing Standards (SAS) 112 relating to segregation of duties will affect the City for the fiscal year ending June 30, 2007. Rob will look into specifically which duties will trigger SAS 112 and follow-up with Carole.

Audit Fee

Rob explained that last year's audit was difficult and that his firm wrote-off a large amount. Rob is requesting a fee increase for fiscal year ending June 30, 2007 to \$60,000 which includes Water & Light and the single audit. Rob indicated that Water & Light's portion would be \$18,000 and the City's portion would be \$42,000. Rob also indicated that the fee would not be declining in future years due to several more SAS's becoming effective. Rob will send Carole comments regarding SAS's increasing the fees.

2006-07 Audit

Rob proposed the following dates:

- Interim fieldwork – May 14 – 18 (1 week)
- City's year-end fieldwork – October 22 – November 2 (2 weeks)
- Water & Light's year-end fieldwork – August 27 – September 7 (2 weeks)

Rob would like to meet with the Audit Committee before interim fieldwork begins. Kent will have Rose email all participants for scheduling a meeting in late April or early May.

Rob explained the effects of SAS 103 regarding the date of the audit opinion. The auditors are now required to date their opinion as of the release date of the financial statements, not the last day of fieldwork. Due to the auditor's risk during that time period, the auditors want the final draft of the financial statements as soon after fieldwork as possible. If there is a large delay, they will need to perform additional procedures which will increase the fee.

Carole asked about Governmental Accounting Standards Board (GASB) Statement #3 regarding bank account collateral. Rob indicated that it is not a big deal, it is just a disclosure issue and most governmental entities in Oregon disclose they do not have adequate coverage for GASB #3 as full funding of collateral is not required by state statute, just 25% coverage.

Audit Fee

After Rob left, the increased fee was discussed. It was decided that the proposed \$60,000 fee be reflected in the 2007-08 budget that is now being drafted and Carole will contact Rob regarding the fee adjustment.