

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

Date: July 29, 2008, 7:30 a.m.

Audit Committee: Kellie Menke, City Councilor
Scott Hill, City Councilor

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

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

June 30, 2008 Audit

Rob Moody reported that Lynn Larsen, the Talbot, Korvola, & Warwick (TKW) manager on the City's audit last year, is no longer working for TKW. Rob and Erin Barnes, the TKW senior on the City's audit last year, will fill in and cover Lynn's responsibilities on the City's audit this year.

Internal Control Documentation

Carole said she is in the process of reviewing the draft Internal Control documentation. Carole explained she is adding quite a bit to the documents as she is looking to document procedure steps while TKW is only interested in internal controls. Rob emphasized that the City needs to document only what they are doing and not what they would like to do. TKW will then point out deficiencies, which is helpful to the City in improving internal controls. Kellie asked, and Rob agreed, that TKW give the City a preliminary report on internal controls which would be discussed at a future Audit Committee meeting.

Rob explained that TKW will look at the final internal control documentation and determine what procedures to test during walk-throughs in September. He also explained that Erin and he will determine what is effective and efficient and decide what audit procedures are needed during final fieldwork in November.

Management Letter Follow-up

Vendor records – Laurie and Carole explained that currently in Logos there is not a report that shows all vendor changes, although it is on a list of custom reports to be developed. They explained that realistically, given Information System's workload, Finance won't have a report until fall. Rob agreed that in the interim, other procedures would compensate for the lack of a report.

Procurement cards – Carole explained that due to workload, a comprehensive policy has not yet been implemented which includes a procedure to review the terminated employee list has not been completed. Carole showed the Audit Committee the procedures presently being used which includes a notebook filing system of all credit card issuance and termination documents along with retention of faxes terminating credit cards. Rob suggested the City keep the fax requesting an account be closed which is part of the present notebook system.

Segregation of duties – Rob advised to have a staff person other than the AP accountant manage vendor records. Carole and Laurie explained the logistics related to this would cause

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a fair amount of workflow interruption and feel that other procedures compensate for this lack of segregation of duties.

Finance Director Recruitment

Kent said there is approximately two weeks until the first deadline for reviewing the first batch of applications. Kent said he had sent special notes to specific individuals inviting them to apply for the position.

Rob noted that there are several other local governments in the Portland metropolitan area that are recruiting Finance Director positions.

New Audit Committee Member

Phil Olsen moved to Bend and therefore resigned from the Audit Committee. Scott spoke with Travis Parker who is interested in serving as Phil's replacement on the Audit Committee. Kent suggested Scott bring up Travis's name at a City Council meeting.

GASB 45

Carole explained that the City is not required to implement Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) for the June 30, 2008 CAFR, but may early implement. Implementation is not required until June 30, 2009, although the City has received all the necessary financial information. City County Insurance Services (CIS) contracted with Milliman to prepare a report for CIS members which the City now has. Rob reported that he just learned that Water and Light is implementing GASB 45 as of June 30, 2008.

The CIS report gives information on funding or not funding the actuarial liability. Carole explained that it has been the City's choice to not fund the actuarial liability, but wanted to discuss with the Audit Committee. Rob advised not funding since the City's liability is related only to an implicit subsidy rather than an actual liability that would become due.