

CITY OF MCMINNVILLE
AUDIT COMMITTEE MEETING AGENDA
04/11/2021
4:30 pm

Zoom Meeting

<https://mcminnvilleoregon.zoom.us/j/99197755188?pwd=Qkl5Y2xiQUFOcC8rSGRTWXVqYVZFUT09>

Meeting ID: 991 9775 5188

Passcode: 330737

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1. Consider approval of the Minutes 1/11/2021 Audit Committee Meeting
2. City of McMinnville Comprehensive Annual Financial Report for the Year Ended June 30, 2020
3. Urban Renewal Agency Financial Statements for the Year Ended June 30, 2020
4. Report to the Honorable Mayor and City Council for Fiscal Year Ended June 30, 2020
 - Auditor Communication to Those Charged with Governance
5. FY2020-21 Audit cycle initial planning
6. Other items for discussion



Finance Department, 230 NE Second Street • McMinnville, Oregon 97128

Audit Committee

Date: May 11, 2021
From: Jennifer Cuellar, Finance Director
Subject: Audit info for May 11, 2021 Audit Committee Meeting Packet

Strategic Priority & Goal:



CITY GOVERNMENT CAPACITY

Strengthen the City's ability to prioritize and deliver municipal services with discipline and focus

McMinnville's FY2019-20 audits were completed for both the City and the Urban Renewal Agency (URA). Both audits were "clean" audits with unmodified opinions from our audit firm, Merina and Co.

Tonya Moffitt, Merina and Company, will be with us to discuss the financial information.

Background:

Audit issuance was delayed until March due to the slowness receiving the audit guidance for CARES Act funding, the City's major program for our federal single audit.

The City filed the reports as required with the Secretary of State's Office, the Municipal Securities Rulemaking Board (MSRB), and other specific lenders as well made its submission to the Government Finance Officer's Association (GFOA) for consideration in its Certification of Achievement for Excellence in Financial Reporting Program.

Document Links:

City of McMinnville Annual Comprehensive Financial Report FY2019-20

https://www.mcminnvilleoregon.gov/sites/default/files/fileattachments/finance/page/223/fy20_city_of_mcminnville_acfr.pdf

City of McMinnville URA Annual Financial Report FY2019-20

https://www.mcminnvilleoregon.gov/sites/default/files/fileattachments/planning/page/1340/fy20_mcminnville_urban_renewal_fs.pdf

CITY COUNCIL AUDIT COMMITTEE – DRAFT MINUTES

Date: January 11, 2021, 11:00 a.m.

Audit Committee: Scott Hill, Mayor
Kellie Menke, City Councilor
Peter Hofstetter, Budget Committee member

Staff: Jeff Towery, City Manager
Jennifer Cuellar-Smith, Finance Director
Ronda Gretzon, Senior Accountant
Dewey Burchell, Accountant II

Handouts: August 05, 2020 Audit Committee Meeting Minutes
August 26, 2020 Audit Committee Meeting Minutes

Minutes from August 05, 2020 and August 26, 2020 meeting

The minutes from August 05, 2020 and August 26, 2020 were presented to the Committee for approval. Kellie motioned to approve the minutes and Scott seconded the motion. The motion was passed with a unanimous vote.

Audit Status update for FYE 2019-20

Jennifer started the Audit Status update by updating the Committee on the City's current audit extensions. She explained that as of December 31st the City's audit firm Merina & Co. LLC (MCO) did not have guidance on how to audit the City's federal relief funds that were received in fiscal year 2019-20. Jennifer informed the Committee that MCO had filed an extension with the State for March 30th, but that they were hopeful uniform guidance for governmental auditors would be in place soon. Jennifer explained that MCO was hopeful the City's audit would not need to be filed in late March and that the extension request was conservative.

Peter inquired about that City's audit extension, wanting to know more about how other jurisdictions were handling the situation. Jennifer indicated that she had not investigated what other jurisdictions were currently doing but trusted the City's audit firm was acting in best practice. She indicated that the CARES act relief funds that the City had received were such a large source of federal funding that it required the City to have a single audit preformed on all federal funds. She mentioned that the City was not going to meet the dollar threshold requiring a single audit for fiscal year ended 2019-20 until the relief funds from multiple federal sources were received late in the fiscal year.

Scott brought up the City's current receivable that was on the books for fiscal year ended 2019-20 from McMinnville Water and Light (W&L) a component unit of the City for franchise taxes. He indicated that the extension would allow both the City and W&L to take a closer look at the numbers and figure out that each entity would need to report.

Jennifer explained that the auditing firms for both the City and W&L along with staff at both entities had finalized a calculation and that she was confident in both parties had the correct amount recorded. Scott commended Jennifer and Mike Bisset for finding the missing franchise revenues. He stated that had it not been for their work it may have been found by either entity.

Jennifer continued the audit discussion by letting the Committee know that MCO had found an issue with the ambulance accounts receivable figures related to the movement of the Ambulance Fund into the

General Fund under the Fire Department. She explained that revenues and receivables were treated differently in a governmental fund like the General Fund and a proprietary fund that the Ambulance Fund had been categorized as. She expressed her concern that there may be a finding on the City's audit this year as a result. Scott asked for clarification regarding which fiscal year's audit would be affected by this and Jennifer responded that it would be the 2019-20 fiscal year.

Jennifer continued by giving the Committee some information about Systems Design West, the City's third-party EMS billing company and the differences between their processes and reports in relation to the City's when EMS billing was done in house. She also explained that MCO had raised some concerns about the City's capital asset figures and the asset management module they were using with NewWorld ERP. She explained that they City may be looking for a "best in class" standalone asset management software.

The Committee went on to discuss NewWorld ERP and its costs along with what a standalone asset management software might look like. Jennifer indicated that it would be preferable that the software was able to integrate with NewWorld ERP. There was also discussion about what other jurisdictions were using and how other asset management software might affect the City overall. Jennifer briefly educated the Committee on the full accrual basis of accounting and how the City's Assets were separate from the other financial transactions in NewWorld ERP. She also explained that capitalized asset totals impacted a very small portion of the City's financial reports.

City of McMinnville's Audit Request for Proposal

Jennifer moved the discussion to the City's Request for Proposal (RFP) of Audit Services. She explained the Amanda Guile-Hinman (the City's attorney), had reviewed the RFP draft she had done so far. She also indicated that she wanted the Committee to be included in the RFP process wherever they were able. She went over the proposed schedule with the RFP submission period closing March 22nd, scoring of the proposals to be done by April 12th, followed by the awarding of the audit services contract in mid-April.

A discussion followed about the RFP process. Kellie asked for clarification that they City was looking outside of MCO for a new contract. Jennifer explained that the City's contract with MCO had reach its maximum number of extensions and that the City was required to submit a formal RFP for all services over \$150,000. She further explained that two or possibly three years of audit services would place the total contract over that \$150,000 threshold.

A discussion was had about the contract length. Jennifer said that she would suggest a five-year contract with five, one year extension options. Kellie expressed her concern with the possibility of MCO being awarded the audit services contract and the City using the same audit firm for another ten years. She indicated that she was not sure if this was best practice or not. Peter suggested a possible addition to the contract if this were the case requiring a partner rotation. He explained that this would force a fresh set of eyes for a designated portion of the contract. Jennifer also offered the option that after the initial five-year term the Committee could decide to issue another formal RFP for the services.

The discussion transitioned to the limited number of audit firms that were willing, able and qualified to preform governmental audits for jurisdictions of McMinnville's size. Scott mentioned that this may be a factor in MCO being chosen again in the current RFP process. Kellie mentioned that the Committee would likely see the same three or four firms submitting proposals if it were to submit a formal RFP after the initial five-year term from this contract.

Jennifer enquired about the Committee's prior role in RFP process. A discussion followed about how it had initially planned on going with the City's former audit firm Talbot, Korvola & Warwick (TKW) after the scoring was done and the Committee had performed interviews as a result of close scoring between TKW and MCO. A unanimous decision was made that City Staff would provide scoring to Committee and they would either interview or chose based on the provided scoring. Jennifer indicated the interview and possibility of a second interview may move the intent to award back to late April or early May.

Jennifer explained the RFP distribution plan that she had. She stated that she was going to email the RFP to a list of certified firms she had received from the State, post a listing in the News Register and post a listing in the Daily Journal of Commerce. She asked the Committee if there were other options they could think of and the response was no.

The Committee asked what Jennifer was expecting of them prior to the RFP interviews. Jennifer explained that she was looking for a consensus that she was on the right path and fulfilling the Committee's needs for deciding on a new audit services contract. Kellie commented that she would like to see the RFP draft and the final version prior to its distribution in February. Jeff stated that city staff could put a packet together for them and Jennifer stated that she would make sure to send the RFP out to the committee after the adjournment of the meeting.

A general discussion followed regarding the additional federal funds the City was to receive and the best uses for them. During the discussion Jennifer brought to the Committees attention that the un-audited actual general fund ending balance had exceeded the two-month operating target. Scott and Kellie both commended the City's staff for their management of funds amidst the current pandemic.

There being no further comments to come before the Committee, the meeting was adjourned at 11:43 AM.