

AUDIT COMMITTEE

Video via Zoom
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MINUTES

APRIL 13, 2023

Stilson called the Audit Committee meeting to order at 5:07 p.m.

Present: Mona Henry, Robert Massey, Mary Rowe and Mack Stilson

Absent: Matt Dake

Guest: Jessica Haynes-Luther, CPA, Aldrich CPAs

Staff: Assistant Finance Director Michael Osborne
Accountant Judy Serio
Finance Director Toby LaFrance

1. CALL TO ORDER AND INTRODUCTIONS

2. APPROVAL OF THE AUGUST 11, 2022 MINUTES

Henry made a motion to approve the August 11, 2022, minutes as written. Rowe seconded the motion.

Motion passed with the following vote: Henry, Massey, Rowe, Stilson voting “aye.”
(4:0)

3. COMMUNITY COMMENTS

None

4. COMMITTEE BYLAWS REVIEW

Osborne asked if there were any changes to the bylaws provided to the committee. Bylaws will be going to City Council on April 18th.

Massey asked if item G, adjournment time, should remain with the wording insert time. Osborne will clarify with the City Recorder and update as recommended.

5. FISCAL YEAR 2022 FINANCE AUDIT

Osborne mentioned the Annual Comprehensive Financial Report (ACFR) and the Popular Annual Financial Report (PAFR) are included in the meeting packet and can also be found on the city website. A summary of both reports was provided to the committee.

Haynes-Luther presented the fiscal year 2022 audit to the committee via a shared Zoom screen. The audit process was delayed due to the finance director's and assistant finance director's positions turnover. Field work took place in December, which usually happens in September or October. The audit was issued March 2023; extensions were obtained with the Secretary of State and Government Finance

Officer Association (GFOA). Interim audit provides auditors with understanding of an organization and the processes and procedures; this typically takes place in July. Field work entails year-end review of the trial balance, analytical procedures, comparisons, confirmation to verify balances. The city's financial statements are materially correct. The independent auditor's report provides a clean opinion. The Statement of Net Position reflects an increase in cash of \$7 million from FY21; GASB 87, leases, has been added; net position has also increased from FY21. The city's positive trend in net position over the last ten years is reflected in the statistical section. In the independent auditor's report required by Oregon state regulations a list of performed procedures is listed. One finding was reported related to an overexpenditure in non-departmental. There were no difficulties performing the audit or with management. The city does not disclose inventory in the financial statements. Adjusting journal entries were shared with the committee. The representation letter is for legal purposes. The management letter discloses internal control findings; there was a significant deficiency due to staff turnover and the proper internal controls were not in place. There were no review procedures in place, which would have caught errors. Now that all positions are filled, this issue is not anticipated during next year's audit.

LaFrance agrees with the auditor management letter and is confident the internal control issue will not continue. Committee members were emailed a plan of action to address the issue. The plan of action will be presented to the City Council on April 18th for their approval and then filed with the Secretary of State. Prior audits have received GFOA recognition. The city is one of several agencies that receive GFOA's triple crown recognition for the ACFR, PAFR and budget document.

Haynes-Luther added that participation in the GFOA certificate of achievement program is voluntary; city participation reflects transparency and commitment.

Stilson asked if the internal control finding is an omission of an internal control or a lack of staff to monitor.

LaFrance responded there were several factors, staff's inexperience preparing the report and workpapers, new auditors, and using an Excel file that was out of date. For the upcoming audit, staff will be updating workpapers and looking into software that will assist in the implementation of GASB 96, IT subscriptions.

Stilson commented that not sure if finding or not finding deficiencies are preferred; not aware if this type of finding has been reported in the past. Strong internal controls are very important.

Massey began to ask a question, Rowe interjected that his question should be asked and addressed once staff leaves the meeting.

Haynes-Luther offered that there is guidance on sampling; immaterial items are not looked at while a material item, such as a bank account, will have a confirmation sent out to verify with the institution. Expenditures depend on the auditor. Audit firm uses data extraction software, but it depends on the account and the auditor.

Henry asked in reference to the plan of action, how will the city verify it has been implemented and determine if it was successful.

LaFrance responded that Aldrich will be starting the FY 2023 audit in the next few months and Haynes-Luther will be following up on the plan of action.

6. FISCAL YEAR PEOPLE'S ANNUAL FINANCIAL REPORT

No discussion

7. DISCUSSION BETWEEN COMMITTEE AND AUDITORS

8. ADJOURN

Rowe made a motion to adjourn the meeting and Massey seconded.

Motion passed with the following vote: Henry, Massey, Rowe, Stilson voting "aye."
(4:0)

The meeting was adjourned at 6:10 p.m.

Respectfully submitted,



Judy Serio, Secretary / Accountant