



CITY OF MILWAUKIE

AUDIT COMMITTEE MEETING AGENDA

May 13, 2024, at 5:30 p.m.

Video Meeting: The Audit Committee will hold this meeting through Microsoft Teams. The public is invited to watch live by joining the Teams webinar: [Join the meeting now](#). Meeting ID: 231 083 202 339; Passcode: 956Tp5.

This meeting will not be broadcast or recorded.

Written comments may be submitted by email to finance@milwaukieoregon.gov.

1. Call to order and introductions – Chair Dake
2. Community comments - Chair Dake
3. Approval of the January 22, 2024, and February 26, 2024 minutes – Chair Dake
4. Statement regarding any conflicts with proposed firms
5. Briefing of the proposed firm interviews
6. Vote to recommend audit firm to City Council
7. Adjourn – Chair Dake

AUDIT COMMITTEE

Video via Zoom
www.milwaukeeoregon.gov

MINUTES

JANUARY 22, 2024

Chair Dake called the Audit Committee meeting to order at 5:34 p.m.

Present: Matt Dake, Mack Golos, Mona Henry, Robert Massey, and Mary Rowe

Absent: None

Guest: None

Staff: City Manager Ann Ober
Assistant Finance Director Michael Osborne
Assistant City Manager Emma Sagor
Accountant Judy Serio

1. CALL TO ORDER AND INTRODUCTIONS

2. APPROVAL OF THE MINUTES

Rowe made a motion to approve the August 10, 2023, minutes as written. **Massey** seconded the motion.

Motion passed with the following vote: Dake, Golos, Henry, Massey, Rowe voting “aye.”
(5:0)

3. COMMUNITY COMMENTS

None

4. DISCUSS AUDIT COMMITTEE MEMO

Osborne provided background on the memo drafted by Toby LaFrance. Contributing factors to the filing extension include the final audit should have been done in mid-October and staff familiarity in drafting the Annual Comprehensive Financial Report (ACFR). Staff has reached out to Merina & Co. for additional assistance with the final document. Auditors review the document, so Aldrich CPAs are not allowed to provide guidance when preparing the ACFR.

Rowe asked if staff knew what previous years’ timelines had been when no extensions were filed.

Osborne stated the launch for audit request for proposals (RFP) would be in March with review of proposals received and interviews being done in April. Ideally, the RFP would state possible dates for the final audit.

Rowe asked given there have been three firms in last few years, is this due to dissatisfaction with the firms or another issue.

Ober responded there are quite a few state requirements. Aldrich's audit manager is still learning the state requirements and there have been other consistent issues with the firm. The city needs an audit firm that will deliver on time audits and provide support to staff when needed.

Massey asked if the staff is pursuing option 2b in the memo.

Ober responded for the FY23 ACFR, Merina & Co has been assisting staff to draft the report.

Massey asked if other agencies are using Merina & Co. for this type of service; will the city be self-sustaining in the future or will this service continue indefinitely.

Ober responded there will be five cities losing Merina as auditors, Milwaukie was not alone. Merina & Co is now a consulting firm and will be able to help Milwaukie grow and will not be needed in the long term.

Dake informed the committee that he spoke to Michael via telephone when the memo was sent to committee members. Would like the committee to have more visibility. Would like to know the difference between an RFP and option 2a in the memo.

Ober explained that audit standards change every year, Merina could prepare the workpapers and the ACFR; the firm can also provide coaching to staff. Option 2b will allow the staff to grow, option 2a is preparing audit papers for the audit.

Osborne added that guidance by the auditors is limited by best practices.

Sagor clarified for the FY23 ACFR, the city is performing option 2b of the memo.

Massey asked **Dake** was aware of the contracting with Merina & Co as a consultant.

Dake responded that Merina & Co were the auditors when he started on the committee and was aware of the transition to Aldrich CPAs. Was not aware Merina & Co were being used in a consulting capacity.

Massey commented that the committee should have been made aware that Merina & Co were contracted as consultants for the city.

Ober disclosed to the committee that Bonnie Dennis, a former finance director, has been contracted to assist with the upcoming budget.

Members discussed the committee's information flow expectation. It was agreed that it would have been best practice to disclose via email what the department was doing and why it was necessary.

Sagor stated the committee's role and referenced the Government Finance Officers Association (GFOA) guidelines.

Ober reiterated the city is about building trust and being transparent and offered to members that staff can be contacted with any questions.

Dake commented that the committee's scope outlined in the bylaws is very restrictive on governance. Would be beneficial to add quarterly or monthly email communications summarizing the status of the audit.

Ober mentioned there had not been contact with the Aldrich partner, which has been done with past audit firms.

Sagor recapped the audit committee members' requests including communication of audit updates.

5. DISCUSS AUDIT TIMETABLE AND FIRM SELECTION

Dake asked the dates of audit season.

Osborne responded July is usually interim audit with final audit taking place in November and the ACFR issued in December.

Golos asked what would be the first indicator that the ACFR is not on target to issue by December 31st.

Ober responded this year that the city was notified a week before the December 4th auditor deadline that an extension would be needed.

Members discussed the date restraints of the current auditors and items to be included in the RFP.

Sagor provided the RFP timeline. Would like two committee liaisons to review the RFP and to participate in interviews.

Members discussed RFP requirements.

Dake, Golos will be the liaisons. **Rowe** will be an alternate liaison.

8. ADJOURN

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

Motion passed with the following vote: Dake, Golos, Henry, Massey, and Rowe voting "aye." (5:0)

The meeting was adjourned at 6:24 p.m.

Respectfully submitted,

Judy Serio, Secretary / Accountant

AUDIT COMMITTEE

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MINUTES

FEBRUARY 26, 2024

Chair Dake called the Audit Committee meeting to order at 5:36 p.m.

Present: Matt Dake, Mack Golos, Mona Henry, Robert Massey, and Mary Rowe

Absent: None

Guest: Jessica Luther-Haynes, Aldrich CPAs

Staff: Assistant Finance Director Michael Osborne
Assistant City Manager Emma Sagor
Accountant Judy Serio

1. CALL TO ORDER AND INTRODUCTIONS

2. COMMUNITY COMMENTS

None

3. FY23 FINANCIAL AUDIT

Osborne stated the FY23 audit for the city is completed and the FY23 Milwaukie Redevelopment Commission (MRC) audit was submitted to Aldrich CPAs last week. This is the first audit of the MRC. The main audit has been through partner review and the city is awaiting the independent auditor's report.

Luther-Haynes began the presentation stating both the city's and MRC's audits have both filed for extensions with the state. The city's audit has an extension until March 1st, at that time it will be filed with the state. The MRC has an extension until March 8th and should be filed with the state at that time. The audit timeline was provided to members. The first draft of the city's financial statements provided to Aldrich was delayed and was received in January. None of the audit reports have been issued. An unmodified opinion will be issued for the city's financial statements. The MRC will be a review of the financial statements not a full audit.

Luther-Haynes referenced the Statement of Net Position, this report shows the assets, liabilities, deferred outflows, and deferred inflows of resources for both governmental and business-type activities. Cash & investments and restricted cash and investments are \$86 million mainly due to the issuance of debt and American Rescue Plan Act (ARPA) funds received but not spent. During the fiscal year, the city implemented GASB 96, subscription-based agreements, which is reflected in both the assets and liabilities. The city ended the year with close to \$103 million in total net position.

Luther-Haynes continued with the Statement of Activities which illustrates the city's revenues and expenses for governmental and business-type activities; the overall change in net position exceeded \$2 million. The notes to the basic financial statements contain information relating to the financial statements' numbers.

Luther-Haynes continued with the General Fund's Schedule of Revenues, Expenditures, and Changes in Fund Balance; this statement shows the original adopted budget and any supplemental budget or budget transfer done during the fiscal year. For the first year of the biennium the city collected just over \$17 million in revenues, representing 47% of the budgeted revenues for the biennium. The General Fund's ending fund balance decreased \$1.1 million. The statistical section of the Annual Comprehensive Financial Report (ACFR) is prepared as one of the requirements to submit for the GFOA award; this section illustrates a ten-year trend for specific items.

Luther-Haynes continued with the compliance section. Auditors are required to perform tests to illustrate compliance with Oregon Revised Statute 279; there was a finding in the competitive bidding of a project. There were also internal control deficiencies, during the audit there was a material weakness related to internal control of journal entries. Auditors identified fourteen journal entries that were not originally included in the trial balance provided to the auditors.

Osborne explained some of the journal entries were related to the accounting for the transportation bond, where the city paid for the bond costs by having the bond council deduct these costs from the distribution to the city.

Member Rowe asked if there are changes that will be implemented regarding the journal entries.

Sagor responded that other journal entries were related to the new GASB pronouncements related to leases and subscription-based IT agreements.

Councilor Massey asked how the journal entries are incorrect.

Osborne responded that the journal entries for the leases and subscription-based agreements were how the city accounted for these new pronouncements; new account numbers were set up for these two pronouncements. Recording of the bond's change in portfolio including dividends and interest were the investment journal entries.

Chair Dake asked if it is the nature of the entries that led to the material weakness.

Luther-Haynes stated the combination of all the entries amounted to \$12 million; the investments were not recorded at market value.

Member Rowe commented there was significant growth in the city's net position.

Osborne responded that it is mainly due to the bonds taken in 2018 and 2023 for quite a few upcoming construction projects.

Member Golos asked outside of the LGIP, what was the value of assessment.

Luther-Haynes responded it was recorded at cost.

4. DISCUSSION BETWEEN COMMITTEE AND AUDITORS

Staff members left the meeting.

8. ADJOURN

The meeting was adjourned at 6:20 p.m.

Respectfully submitted,

Judy Serio, Secretary / Accountant

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