



AUDIT COMMITTEE

Video via Zoom
www.milwaukieoregon.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

Video via Zoom
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MINUTES

MAY 13, 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: None

Staff: Assistant Finance Director Michael Osborne
Accountant Judy Serio

1. CALL TO ORDER AND INTRODUCTIONS

2. COMMUNITY COMMENTS

None

3. APPROVAL OF MINUTES

Members did not receive copies of the minutes for the January 22, 2024, and the February 26, 2024, meetings. The vote was postponed to the next meeting.

Minutes will be emailed to members.

4. STATEMENT REGARDING ANY CONFLICTS WITH PROPOSED FIRMS

Osborne disclosed previous experience working with Moss Adams at another agency.

Member Rowe disclosed previous experience working with Moss Adams at another agency.

5. BRIEFING OF THE PROPOSED FIRM INTERVIEWS

Osborne began the conversation by providing the process for the request for proposal.

Members Dake and **Rowe** shared their opinions of the presentations by Moss Adams and Singer Lewak. Singer Lewak is a smaller firm that is newer to governmental accounting after being acquired by a California firm. Moss Adams had a professional presentation and will accommodate the city's growing audit needs in the future.

Member Rowe commented on the benefits of Moss Adams which included strong staff experience, offered training and resources to city staff. Singer Lewak representatives did not answer some of the questions and the firm serves smaller cities, along with being recently acquired by a California firm.

Member Dake commented that Singer Lewak's director instilled confidence in ability and was a GFOA independent reviewer but was not given the opportunity to speak and answer questions during presentation. Moss Adams presentation offered consistency, local references, mentioned their schedule is busy and city must meet dates which may cause a challenge for the finance team.

Osborne commented that Moss Adams will provide answers to questions in a timelier manner and has resources within the firm. Moss Adams willing to start as soon as contract is in place; will reach out to Aldrich CPAs for the transition. Although Singer Lewak is \$20,000 less than Moss Adams; Moss Adams price is comparable to Aldrich CPA's cost. Moss Adams is Clackamas County's audit firm and that may be an advantage for the city. One of the questions asked during the interview was the percentage of clients that have the firm prepare their ACFR; Singer Lewak prepares 90% of their clients' while Moss Adams prepares 10% of their clients' reports. Moss Adams assured the interview panel they will reach out to the members of the Audit Committee and City Council. Would like to meet with the selected firm in June to have some questions answered regarding the upcoming audit.

Member Golos asked for clarification about the list of questions for the new audit firm.

Osborne responded that once the City Council approves the recommendation by the Audit Committee there are several questions the finance team would like clarification on relating to the newer GASB pronouncements on leases and subscription-based agreements.

Councilor Massey clarified the process after the Audit Committee recommendation and confirmed that there would not be a delay as in previous years.

Osborne responded that it is a tight timeframe to get a contract in place.

Member Rowe asked if the dispute period had begun.

Osborne responded yes.

Councilor Massey commented that it is a positive that Moss Adams adheres to deadlines.

6. VOTE TO RECOMMEND AUDIT FIRM TO CITY COUNCIL

Chair Dake called for a motion to recommend Moss Adams as the city's audit firm.

Member Rowe made a motion to recommend Moss Adams as the city's audit firm.

Member Golos seconded the motion.

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

7. ADJOURN

Member Rowe made a motion to adjourn the meeting. **Member Golos** seconded the motion.

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

The meeting was adjourned at 6:05 p.m.

Respectfully submitted,

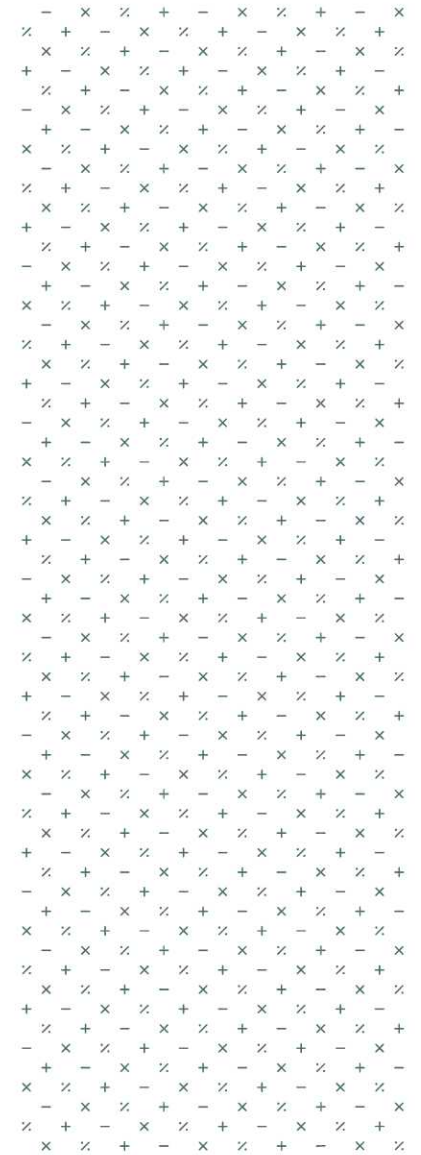
Judy Serio, Secretary / Accountant

DRAFT



Audit Entrance

Better Together: Moss Adams & City of Milwaukee

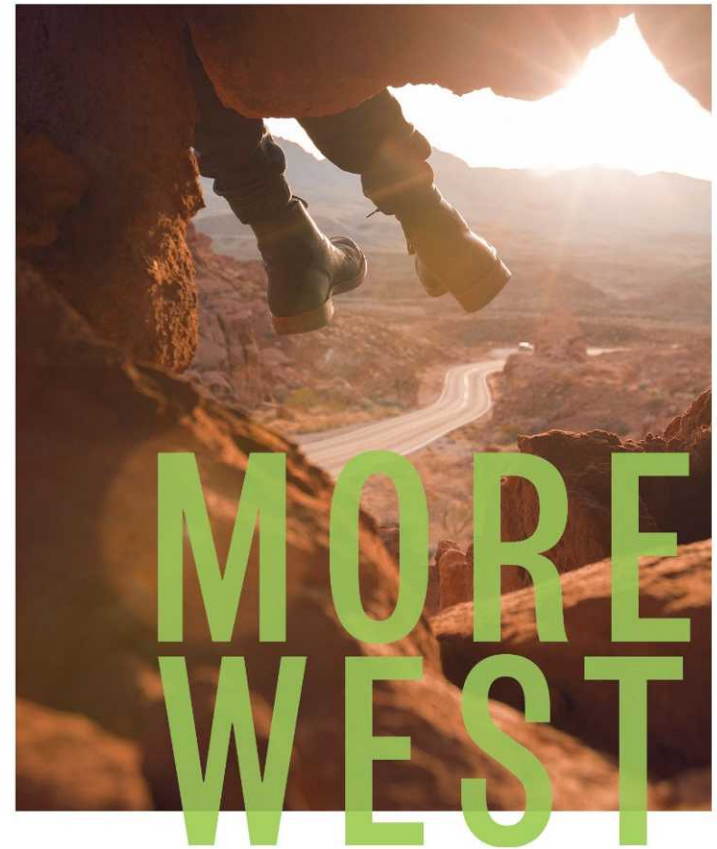


Audit Committee

Dear Audit Committee Members:

Thank you for your engagement of Moss Adams LLP, the provider of choice for state and local governments. We're pleased to present our audit plan for the City of Milwaukie for the year ending June 30, 2024. We'd also like to discuss current-year developments and auditing standard changes that will affect our audit.

We welcome any questions or input you may have regarding our audit plan, and we look forward to working with you.



Your Dedicated Team



Ashley Osten
*Engagement Reviewer
and Partner*



**Amanda McCleary-
Moore**
*Concurring Reviewer
and Partner*



Kelly Jones
*Senior Manager and
Delegated Engagement
Reviewer*



Required Communications to Those Charged with Governance



Our Responsibilities

Assess if the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit doesn't relieve you or management of your responsibilities.

Perform an audit in accordance with:

- Generally accepted auditing standards issued by the AICPA

Design the audit to provide assurance about whether the financial statements are free of material misstatement.

Communicate findings that are relevant to your responsibilities in overseeing the specific matters of financial reporting process.

When applicable, communicate particular matters required by law or regulation, by agreement with you, or by other requirements applicable to the engagement.



Audit Process



Internal Controls

- Includes walkthroughs and testing of key controls over significant accounting cycles
- Includes information technology



Analytical Procedures

- Revenue and expenses
- Trends, comparisons, and expectations



Substantive Procedures

- Confirm account balances
- Vouch to supporting documentation
- Representations from attorneys and management
- Examine objective evidence



What's Materiality?

It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements.



It's calculated using certain **quantitative** (total assets, net position/fund balance, revenues, and expenditures) and **qualitative** factors (covenants, expectations, or industry factors)

It identifies:

**SIGNIFICANT
RISK AREAS**

**NATURE,
TIMING, EXTENT,
AND SCOPE OF
TEST WORK**

**FINDINGS OR
MISSTATEMENTS**



Significant Audit Areas



**EXISTENCE OF
CASH AND
VALUATION OF
INVESTMENTS
ALONG WITH
RELATED
FINANCIAL
STATEMENT
DISCLOSURES**



**REVENUE
RECOGNITION
AND VALUATION
OF RECEIVABLES
AND ADVANCES**



**EXISTENCE AND
VALUATION OF
CAPITAL ASSETS**



**COMPLETENESS
OF PENSION AND
OPEB LIABILITIES
AND RELATED
FINANCIAL
STATEMENT
DISCLOSURES**



**COMPLETENESS
OF LONG-TERM
LIABILITIES AND
RELATED
FINANCIAL
STATEMENT
DISCLOSURES**



Consideration of Fraud



AUDITORS MUST CONSIDER FRAUD TO “IMPROVE THE LIKELIHOOD THAT AUDITORS WILL DETECT MATERIAL MISSTATEMENTS DUE TO FRAUD IN A FINANCIAL STATEMENT AUDIT.”

To identify fraud-related risks of material misstatement, we:

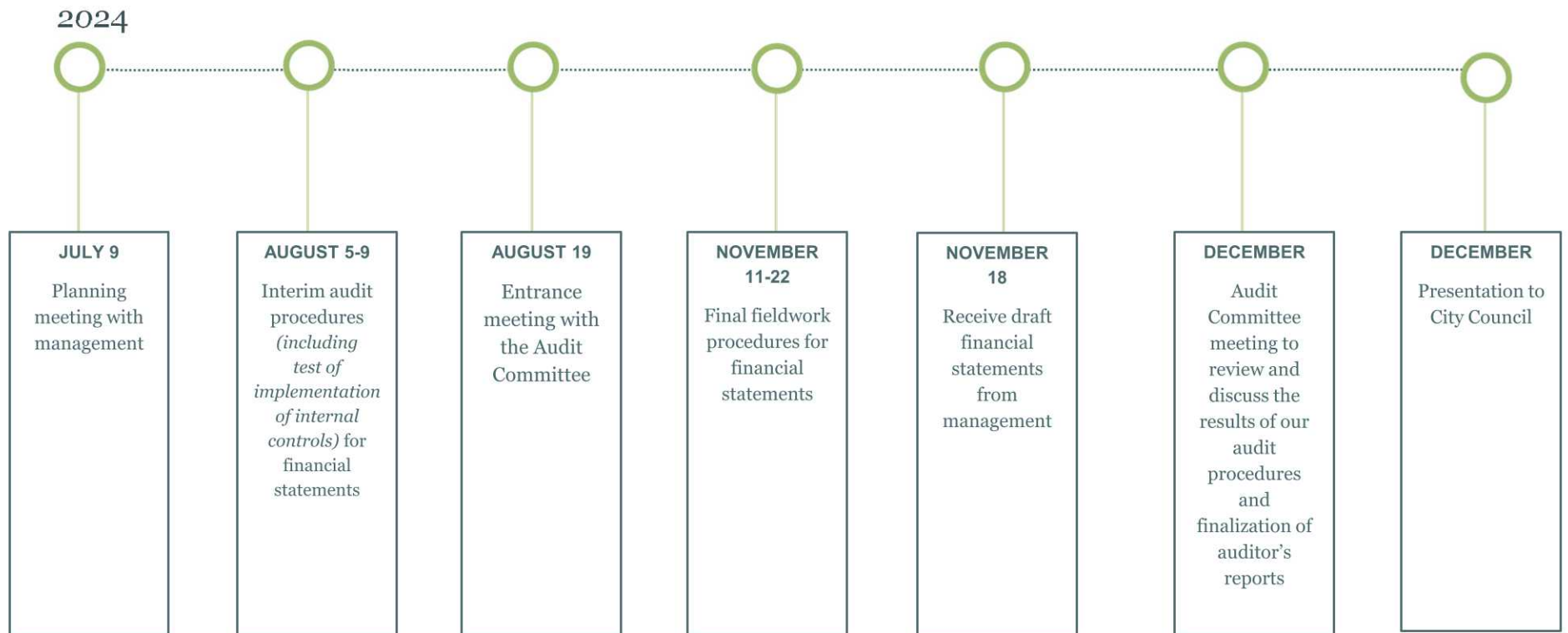
- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

Procedures we perform:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate rationale for significant unusual transactions



Audit Timing



Recent Accounting Developments





Upcoming Standards

GASB 101, *Compensated Absences* – effective for the City’s 2025 year-end

This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

GASB 102, *Certain Risk Disclosures* – effective for the City’s 2025 year-end

This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

GASB 103, *Financial Reporting Model Improvements* – effective for the City’s 2026 year-end

This statement clarifies the reporting requirements related to the MD&A, unusual and infrequent items, presentation of the proprietary fund statement of revenues, expenses and changes in net position, major component unit information, and budgetary comparison information.



INDUSTRY FOCUS

An Array of Resources

In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and in the format that fits your life.



Articles & Alerts

Industry-specific insight and important tax and assurance updates



Webcasts

On demand and live sessions with our professionals on technical and timely topics



Reports & Guides

A more in-depth look at significant changes and subjects across the accounting landscape



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