

**Audit Committee**  
**City of Newport/Newport Urban Renewal Agency**  
**July 16, 2020 Minutes**

**1. CALL TO ORDER AND INTRODUCTIONS**

Chair, Glenda Rhodes, called the meeting to order at 10:05 a.m.

**2. INTRODUCTIONS**

*In Attendance:* Chair Glenda Rhodes, Public Audit Committee Member, Committee Member Councilor Dietmar Goebel, Spencer Nebel City Manager, Finance Director Mike Murzynsky, Assistant Finance Director Steve Baugher, Recording Secretary Capital Projects and Grant Accountant Linda Wertman, Alternate Public Member Martin Desmond, Daniel Choy, Senior Accountant at Merina +Co, Tonya Moffitt, Managing Partner at Merina +Co. David Allen, City Attorney, is in the audience.

**3. AUDITOR UPDATE FROM THE AUDITOR'S ON-SITE AUDIT WORK**

Moffitt explained the extra time it takes to pull information together for city staff and working through issues of not being on site. Moffitt stated she felt confident that the audit could be performed 100% remotely to ensure the health and safety of her staff and the City staff. Alternate Member Desmond asked if the auditors could log directly into the City's accounting system. Director Murzynsky responded to the question stating that the ability to access the city software was just received yesterday, and will be passed along to Daniel sometime today. The Virtual Private Network (VPN) access was issued so the audit team can obtain access. Chair Rhodes asked if the auditors have been working on internal controls. Moffitt stated that they have been testing the internal controls and stated that the City has been working on drafting some internal control documents for the auditors, and beefing up the detail of those documents. Those documents can be updated periodically. Moffitt discussed the "walk through" process on different activities, which they are monitoring. Member Goebel asked about the safeguards in place so files cannot be accessed. Moffitt stated that they have read only access. Murzynsky responded that the auditors do not have access to all the areas. Moffitt stated their security is through one of the top companies in the world to ensure any information is safely accessed.

Moffitt noted that the City would be having a Single Audit this year which is required if the City receives over \$750K in federal funding. They look at federally funded projects to ensure compliance of major programs. The Feds send out a compliance supplemental report that directs what types of activities to test as well as the Grant Agreement. Alternate Member Desmond asked if Moffitt had ever had an experience where the federal agency took particular interest in a Single Audit of a federal program. Moffitt stated that if there are findings, the federal agency might have follow up questions. Moffitt went on to discuss the layers of oversight.

Moffitt stated that this year's financial statement audit would look very much like last years, as several changes to the Governmental Accounting Standards were postponed due to the Corona Virus, some have been pushed out a year others 18 months. The City is working on one of the accounting changes regarding the leases to make sure they will be ready for that change when it is implemented. Moffitt noted the implementation of the new lease laws have been pushed out 18 months.

Member Dietmar asked how the transition has been from the old auditors to the new audit team. Murzynsky stated they are asking for basically the same information although, there are some differences in the way they go about testing the information. There was a hole discovered in a report we use, that was discovered because of the different testing process. That was good opportunity to find that flaw in the report. Murzynsky discussed Moffitt giving him the City of Tualatin's written controls so Murzynsky could adapt them for the City of Newport. Murzynsky also stated it has been challenging to get the information all scanned and to the auditors, and the process has been slower than normal but it has been overall a good process.

Moffitt discussed the letters Murzynsky recently sent out, labeled City AU-C 260 and URA AU-C 260. These letters are issued to those individuals charged with government. The information can also be verbal but it is preferred to be done by letter form. These letters are sent out twice a year. The first is sent at the initial audit and discusses what the auditor will be doing. In this case it states the type of audit will be a Governmental Auditing Standard Audit or GAS audit also known as the yellow book audit. It also states that it will use the Uniform Guidance, which is the terminology for the Single Audit. Urban Renewal does not have a Single Audit so that is explained in the letter. Moffitt went on to discuss some different examples of what the auditors review, and what they do not review. Moffitt also discussed what is reportable, what is not material, and the different levels of reportable conditions. The second letter is sent at the end of the audit, and explains what was tested, any pronouncement and significant exposures and weaknesses, disagreements with management and that type of thing. These letters came out of the Enron debacle, and give an opportunity to those charged with governing to report any concerns.

Chair Rhodes asked what level of management you would request these letters be filled out by. Moffitt stated a variety of management and city staff. David Allen, City Attorney asked for clarification of the letter. He stated that in the past, auditors sent the letter either by email or directly to the individual by mail, you could send it back either by hard copy through the mail or email. He asked how Merina would want the response. Moffitt stated they typically send things by snail mail and they are confidential. Attorney Allen discussed some history on previous years with this letter.

Moffitt stated that everything was going well, and there are no concerns thus far.

#### **4. PUBLIC COMMENT**

No members of the public were present.

**5. COMMITTEE COMMENTS:**

Alternate member Desmond discussed moving the goal of a Popular Annual Financial Report (PAFR) development forward. Moffitt stated PAFR are great but they are very time consuming and would caution the committee about adding that during the current Covid environment. There were no additional comments from the committee.

**6. ADJOURNMENT**

Chair Rhodes adjourned the meeting, at 11:05 a.m.