

February 4, 2021
2:00 P.M.
Newport, Oregon

AUDIT COMMITTEE

The City of Newport Audit Committee met at the above time and date. Members in attendance were Glenda Rhodes, Martin Desmond, and Dietmar Goebel.

Staff in attendance was Spencer Nebel, City Manager; Peggy Hawker, City Recorder/Special Projects Director; Mike Murzynsky, Finance Director; and Steve Baugher, Assistant Finance Director.

INTRODUCTIONS

Everyone in attendance introduced himself or herself.

APPROVAL OF MINUTES

MOTION was made by Goebel, seconded by Rhodes, to approve the minutes of February 6, 2020. The motion carried unanimously in a voice vote.

AUDIT COMMITTEE GOALS

Murzynsky reported that the Committee needs to review last year's goals and set next year's goals. He read last year's goals, which included:

1. Continue issuance of a Comprehensive Annual Finance Report (CAFR) for the fiscal year audits.
2. Develop and document internal controls with continuous review.
3. Develop a purchasing system.
4. Develop a room tax-auditing program.
5. Develop a Popular Annual Financial Report (PAFR).

A discussion ensued regarding whether many of the goals were Committee goals or departmental goals. Rhodes suggested that the Committee should review staff's development of the purchasing system, transient room tax auditing program, and popular annual financial report. Murzynsky stated that he has completed the development and documenting of internal controls and needs to get those to the Committee for review. Desmond asked whether staff wanted to change the wording of the goals. It was recommended that the remainder of the agenda be discussed, returning to the discussion on goals near the end of the meeting.

Murzynsky reported that the city would not receive the CAFR award for the 2018/2019 Fiscal Year. He stated that there are some issues related to the stormwater debt, but that will be addressed this year, and the calculation will be disclosed in the notes. He added that the city would continue submitting for the CAFR award.

A discussion ensued regarding the status of the audit. Murzynsky reported that Merina held the audit back because the city made a business interruption grant loan out of Urban Renewal Agency funding. He stated that he has received the information for moving

forward, and the city is back on track. He noted that he has to review the single audit report the city does. He added that Merina's goal is to get the city's audit finished quickly, and it has indicated that the date could be March 31. He stated that extensions were filed with the Secretary of State, GFOA, and EMA, and that the Secretary of State approved a three-month extension. He added that bond counsel and the bond investment representatives indicated the city has until March 31 regardless.

Murzynsky reported that he had just e-mailed the Committee the Department of Revenue's presentation on local lodging administration. He stated that this program allows the state to collect transient room tax for the city, and to enforce the collection. He added that it also provides quarterly reports and demographic data. He noted that the program is fashioned after the marijuana tax program, and only people who sign secrecy documents will be allowed to see the documents. Goebel asked about the cost of the program. Nebel reported that if the city utilized this program, the advantage to hotels/motels and vacation rental owners is that they would only have to file the transient room taxes once. He stated that this would resolve issues such as the Rogue situation where the state tax was paid, but the city tax was not paid.

It was noted that the state would audit businesses if needed. Rhodes stated that the Committee needs to know what the program entails. Nebel added that the city needs to understand the cost of the program, what information the city would have access to, and ease of use for property owners. He noted that staff would have to look at changing some ordinance provisions to comply with state law. He added that overall, there are more positives than negatives. He stated that it would reduce staffing in the Finance Department, and allow the department to change its priorities. Goebel asked whether there is a contract or an MOU. Nebel noted that he anticipates that it would be similar to what the city has entered into regarding the marijuana and gas taxes, and would resolve many issues. Goebel stated that this would take care of Goal 4.

Goebel asked whether Goal 4 should read, "Enter into an agreement with the state for room tax auditing.

Further discussion of the goals ensued, and the Committee developed the following goals for the upcoming fiscal year:

1. Continue issuance of Comprehensive Annual Financial Reports (CAFR) for the fiscal year audits.
2. Review and approve staff procedures to document internal controls with continuous review.
3. Recommend that the city enter into a contract with the state to provide for transient room tax collection, enforcement, and auditing.
4. Review and approve a Popular Annual Financial Report (PAFR) as developed by staff.

MOTION was made by Goebel, seconded by Rhodes, to approve the four goals developed the Committee and listed above. The motion carried unanimously in a voice vote.

PUBLIC COMMENT

Nebel reported that a communication was received from Carl Perry regarding short-term rentals. Murzynsky reported that what should have been said is that initially, short-

term rentals were not part of the auditing program. He reiterated that short-term rentals would be part of the program; they simply were not part of the initial program.

ADJOURNMENT

Having no further business, the meeting adjourned at 2:46 P.M.