

**City of Newport
Audit Committee Meeting
City Hall, City Manager's Office
Wednesday, October 15, 2014**

Audit Committee Members Present: David Allen & Laura Swanson

City Staff Present: Mike Murzynsky, Linda Brown, Spencer Nebel & Randi Siller

Audit Committee Members Excused: Mark Saelens & Fred Springsteen

External Auditor Present: Brett Rohde, Lead Auditor (Pauly, Rogers and Co., P.C.)

I. CALL TO ORDER

The meeting was called to order at 9:01 AM by David Allen.

II. INTRODUCTIONS

Introductions were made.

III. APPROVAL OF MINUTES

A motion was made by Swanson to approve the Audit Committee minutes for July 16, 2014. The motion carried unanimously.

IV. UPDATE FROM AUDITOR ON ON-SITE AUDIT WORK

Rhode explained that he and two others from the audit firm have been in-house this week performing the final field work for the Fiscal Year 2013/2014 audit of the city and the NURA (Newport Urban Renewal Agency) financial records. They made rapid progress in their work and the other two field workers were sent home on the previous day, as Rohde believes he can complete the rest of the work on his own on this final day of field work. Rohde stated that he will have an exit meeting with Brown, Murzynsky, and possibly Nebel before he heads out of town in the afternoon. He explained that this being the final field work, the auditors have focused on balance sheet items, assuring that the cash, accounts receivable and payables are all fairly stated. Auditors have received the trial balance and finance staff are working on financial statements, looking to have them complete by the end of October. Rohde advised that everything is on track for the audit completion goal of December 31, 2014.

V. COMMITTEE GOAL SETTING DISCUSSION

Nebel questioned whether or not the audit progress will be held up by the actuarial evaluations of two pension plans as it has in the past. Brown stated that she has been in contact with the firms that complete the actuarial evaluations and expressed concern for receiving the reports in a timely manner. Brown also stated that she has received the draft of one of the reports. Rohde stated that as long as the reports are received by the end of November there should be sufficient time to complete the audit by the goal date of December 31, 2014. Nebel asked Rohde if there are any other issues that he is aware of that could potentially delay the audit. Rohde responded stating that the transition of financial statement preparation (change from auditors preparing statements to finance staff preparing them) can sometimes cause a delay. Murzynsky assured that the statement preparation is the priority and the plan is to have them complete and get them to Rohde and his team very quickly. Swanson questioned “why” the financial statement preparation is changing hands. Murzynsky explained that it is because the city plans to develop a CAFR (Comprehensive Annual Financial Report). Brown stated that developing a CAFR has been a goal of the city for several years.

Allen asked Rohde if there is anything that he has come across in his field work that he would like to bring to the attention of the Audit Committee. Rohde answered with “I don’t think so” and explained that there are still some journal entries and balancing of accounts receivable in progress.

Allen initiated discussion to set a tentative date for the next Audit Committee meeting, at which time the audit report will be reviewed and the committee will prepare to present it to council at the January 20, 2015 council meeting. Assuming that the audit is prepared and filed by December 31, the Audit Committee will meet on Tuesday January 13, 2014 at 10:00 AM and hopefully have Rohde present through a Skype call.

VI. COMMITTEE QUESTIONS AND COMMENTS

Swanson asked if the timeliness of monthly financials has been corrected. Murzynsky advised that the department staff is working hard to get on track for timely closing of monthly financials. The goal is to get annual report, as of June 30, 2014, to council by the second week of November. Also, Murzynsky and Nebel explained that the goal is to give quarterly reports to council approximately one month after the close of each quarter, along with any budget amendments at that same time. Some discussion took place regarding the council “approving” the audit report at the January 20, 2015 council meeting. It was agreed that the term “accepting” is more accurate as to what it is that the council will do with the audit report. The report will already be completed and submitted to the state and there are no further steps in the process. The term “approving” would indicate that the process has approval to move

forward, however the process will be complete at the time that the council is presented the audit report and they may “accept” it.

Allen asked Rohde how Newport’s process for presenting the audit report to council for acceptance compares to other cities processes. Rohde stated that he does not meet with an Audit Committee for any of the other cities that the company audits, and he thinks that it is good that the committee asks for his involvement in the meetings. Rohde continued, informing that most cities have a Finance Committee and the report is handed over to council, not formally presented. Allen explained that the League of Oregon Cities came out with several publications a few years back promoting Audit Committees as a very positive thing to have in place. That is what prompted Newport to put an Audit committee into place. Murzynsky stated that the Audit Committee in Albany was used the same way that it is here in Newport. He explained that the chair of the committee would present the Audit to the council. Allen explained that Newport’s Audit Committee prefers to present the report to council as a group.

Allen asked if and when Newport will do a request for proposals (RFP) for audit services, and how it could affect next year’s audit process. Murzynsky explained that if the RFP can be advertised by the second week of January then a selection should be made by the end of April, which means that next year’s audit would be conducted by the firm selected in the RFP process. Murzynsky stated that he would like for the Audit Committee to be involved in the RFP and selection process, and present a recommendation to the council.

Further discussion commenced regarding the issues that the finance department is working to correct. Stale dated checks, bank reconciliations, separation of duties, and some policy review and changes are the areas that are in focus. Murzynsky also explained that Bob Gazewood is working on the city’s supplemental budget, and also on a fee schedule. Nebel explained that fees are currently set by resolution, which is one more complication in the budget process. The goal is to have a comprehensive schedule for all fees charged by the city, all to be set by a single resolution instead of having a separate resolution for each fee. This will make fees simple and clear, easy for administration to track and charge accurately, and easy for patrons to find the information on the fees they are looking for.

VII. ADJOURNMENT

With no further business to discuss, the meeting was adjourned at 9:45 AM.