

Audit Committee
City of Newport/Newport Urban Renewal Agency
February 6, 2020 Minutes

1. **CALL TO ORDER**

Chair, Councilor David Allen, called the meeting to order at 2:05 p.m.

2. **INTRODUCTIONS**

In Attendance: Chair Councilor David Allen, Public Audit Committee Member Glenda Rhodes, Committee Member Councilor Dietmar Goebel, Finance Director Mike Murzynsky, Assistant Finance Director Steve Baugher, Recording Secretary Capital Projects and Grant Accountant Linda Wertman, Alternate Public Member Martin Desmond. Also present was Newport resident Mona Linstromberg. City Manager Spencer Nebel joined briefly the meeting during public comment.

3. **FINANCE REPORT ON AUDIT**

A. Review/Recommendation of Action Plan

Director Murzynsky explained the Action Plan requirements and why the report must be submitted to the State and the Federal offices. Two issues prompted the requirement for an Action Plan submittal. One was a public contracting and purchasing issue with the airport Fuel Farm Replacement Project that failed to comply with bidding requirements. Murzynsky explained he has put together a review process that includes the City Manager and staff that should be implemented quickly so this does not continue to happen. The other issue was several budget overages in various accounts. Murzynsky noted that he plans to talk with the various directors regarding these overages and the current list is in draft form, but will be finalized prior to going to Council. Murzynsky explained some of the reasons for the overages and reported that the Action Plan will be going to council for approval on March 2nd. There was general discussion regarding the various overages. There was also discussion regarding the purchasing/procurement update and a checklist that will be developed to track these type of purchases better.

B. Results on FY17-18 General Finance Officers Association (GFOA) CAFR Program

Murzynsky reported that the city did not make the Excellence in Finance award this year. The review committee did provide several pages of comments. The financials were fine, however they noted a loan was not split out properly. The loan split was corrected, so we should be able to get the award next year. There was general discussion about city loans and how they are accounted.

4. ASSIGNMENT OF AUDIT SECTIONS TO COMMITTEE FOR PRESENTATION TO CITY COUNCIL

Chair Allen suggested he would like to cover the same area as last year, which was the overview. Murzynsky will cover the same area that will include the Management Discussion and Analysis (MDA). Member Rhodes indicated she would cover the same area as the previous year which will include the statement of net position (balance sheet combined), and the auditor report opinion. Chair Allen suggested that Member Goebel and Alternate Member Desmond split the remaining portion. Member Goebel agreed to cover the Urban Renewal portion. Member Desmond will cover the notes. See attached Schedule.

5. COMMITTEE COMMENTS:

Chair Allen went over the scoring process for the incoming audit firm proposals and the schedule of the interviews. Chair Allen said there should be a meeting scheduled to review the scores and decide if we want to invite all candidates or filter out some applicants. There was a decision to meet on March 3rd at noon, to evaluate who will be invited to interview on March 5, 2020, at 9:00 a.m. The score committee will be comprised of Member Rhodes, Member Goebel, and Alternate Member Desmond.

Chair Allen discussed the Committee Goals developed at the January 17th meeting, and asked Wertman to send out a clean copy of the actual goals for FY20-21.

Chair Allen asked Murzynsky how the room tax-auditing program is going to be integrated into the municipal code, would it be a separate section or will it be more of an administrative policy. Chair Allen stated the city would be doing a revision of the room tax code so it may need to give authority to pursue a room tax-auditing program. Murzynsky stated there should be some sort of reference in the policy. There was continued general discussion on the policy, code revisions, what type of business should be included, the development of a program, and cost. Chair Allen said the Audit Committee would be the first committee to review the draft program. The committee will be a good advisory committee for this program. There was general discussion on Airbnb. Murzynsky stated we were waiting for the state to address the Airbnb and VRBO issues. Murzynsky stated the code revision should be done by the end of the year.

6. PUBLIC COMMENT

Carla Perry submitted written public comment to Chair Allen, which is attached to these minutes as well as suggested language that is included as part of the Economic Costs and Benefits of Airbnb Report published by the Economic Policy

Institute. One of the wording changes suggested was to change voluntary to promote compliance in an auditing program. Murzynsky agreed to make that change.

Cynthia Jacobi sent an email to the committee stating she agreed with Carla Perry's suggestions to add "Promote compliance" and delete voluntary as well as to include VRDs in the City's audit program.

Public attendee Mona Linstromberg addressed the committee and stated she was very pleased with how the draft language change is proceeding, and the amendment of the existing code. Linstromberg stated in the Newport code under civil infraction there is a voluntary compliance agreement. She gave some background on the difference between having a goal of voluntary compliance and having a policy of voluntary compliance. She stated that with a voluntary compliance policy you end up giving people interest free loans or tax-free gifts by giving people exemptions for not paying. Linstromberg stated she felt VRDs and Airbnb types of rentals should be brought into the program. She addressed a concern about the draft policy that discusses business to be audited on average every five years, but then it states that tax payers must keep their records for three years and six months. Linstromberg felt this should be addressed since you may need to go back for more than three and a half years in the final version. Chair Allen asked Linstromberg to send him a note giving her comments so those items can be looked at when finalizing the revision.

7. **ADJOURNMENT**

Chair Allen adjourned the meeting, at 3:25 pm.