



AUDIT COMMITTEE
Periwinkle Room
Monday, December 11, 2006
2:00 p.m.

MINUTES

Committee members present: Jeff Christman, Sharon Konopa, Ralph Reid, Jr.

Staff present: Diane Wood, Purchasing Coordinator; Mike Murzynsky, Senior Accountant; John Stahl, Acting Finance Director; Betty Langwell, City Clerk; Wes Hare, City Manager; Jim Delapoer, City Attorney; Diana Eilers, Administrative Assistant I

Others present: Wolf Dyner, Dick Olsen, Fred Koontz and Glen Kearns, Koontz & Perdue

CALL TO ORDER

Jeff Christman called the meeting to order at 2:07 p.m.

APPROVAL OF NOVEMBER 13, 2006, MINUTES

MOTION: Sharon moved to approve the minutes from November 13, 2006. Ralph seconded the motion, and it passed 3-0.

SCHEDULED BUSINESS

Update on letter sent to Secretary of State regarding 2004-2005 audit

Jim called the Secretary of State and was told that there was a hotline for complaints and that information is kept confidential. Jim has written a letter to the Secretary of State to get further information. Fred called Mr. Hopkins as well. A report will be written after Koontz & Perdue receive the information from the consultant. The state doesn't have any jurisdiction or enforcement authority and wants something for the file regarding the matter. A copy of the letter is not being given out because it is considered confidential. Jim said that if any matter does come up in regards to the letter, the letter will then need to be released. The letter has not been sent to the State Board of Accountancy. The consultant provided the revised rates to which items are to be charged to; it is a change in accounting estimate. John stated there are no questions to how the accounting in the Internal Service fund is working and there are small and reasonable differences. Ralph would like to know what reasonable and small differences are in the accounting. John said that we are following the consultant's new adjusted rates. The rates are what Public Works would charge other City departments for services performed. Ralph wanted to know if any restricted accounts are being charged for these services. Glen said no. The consultant's new charged rate is \$76.73 per hour; the old rate is \$104.00. Jeff said the actual complaint is that we should not be using an Internal Service fund to allocate funds; there is no allegation of money missing. Wes said the solution is to follow the auditors best recommended practice; that way we can report our information honestly. The Management Recommendation Report will be completed soon. Koontz & Perdue recommend using the new rates provided by the outside consultant. Fred said that the report is an accounting estimate and the numbers will change from year to year. Ralph asked if the complaint will be noted in the report. Glen said no, the law would not permit it. There would have to be credible information. Jeff suggests that the whole concept behind this letter is a dead issue until we receive new information. The report will make recommendations as needed, and then the committee will deal with the recommendations in the report. No action taken.

Review of auditor selection process

Fred asked if he could stay for this portion of the meeting. He was allowed to stay because this is a public meeting. Diane said in December 2005, the City asked for proposals; and six audit firms submitted proposals. One could not go on because they could not meet the requirements. Five were chosen to continue in the process. Of these, four were asked to attend an interview. The evaluation committee chose Boldt, Carlisle, and Smith. They had one of the highest scores in references, they performed very well in the interview process, and their value was great. The Audit Committee will review the information of the selection and take their recommendation to the Council. Before the interviews; each proposal was evaluated based on technical skills, references, and fees. You want to be fair and equitable to all proposers. John said that it is a good policy to switch auditors every once in a while to get a fresh look at things. Diane handed out the GFOA recommended best practices. Jeff asked if they were all five-year proposals, Diane said yes. Jeff asked John if there were any other reasons to change auditors, John said no. Wes said that they went out twice for auditors during his time in La Grande and only got a response from one firm. Regarding the references with Bolt, Carlisle, and Smith, Jeff asked if they had plenty of experience with municipalities. Diane said yes, Boldt, Carlisle, and Smith had plenty of references regarding municipalities including the City of Newberg and Linn County. Wes' relationship with the current auditors has been very positive, whatever we can do to make our financial records more available and open to the public is the best thing. John said there could be a policy that says you can only be the City auditor for five years and then switch. Fred said he doesn't have a problem with switching auditors, but he questions the technical scores. Fred said the policy would not be the best because it is not in the City's best interest. Dick asked if there were any problems with the new accounting software. John said that so far, it has been successful. Dick asked, if any of these firms have experience with the software. John said Moss Adams did, but the cost is just so much higher. Dick asked if the auditors do anything with the security of the software program. John said we did a separate audit in regards to software and computer security and are working on improving the security of our software and computer security. The Audit Committee will focus its attention on financial audits. Jim said that the public record should note that we are switching auditors and that we were pleased with the last auditor's work.

MOTION: Sharon moved to award the contract to Boldt, Carlisle, and Smith. Ralph seconded, and it passed 3-0.

Review of *Audit Committees* handbook from the Government Finance Officers Association

Wes said we can't have Audit Committee meetings in private. Jim said the only way this would be possible is if there were a reason for an Executive Session. Jeff asked if there would be sensitive issues that could be discussed with the auditors before the final findings were given. Jim said he was unsure if this would be possible. Wes said that the only thing you could probably do is ask that staff not attend. Jim said the booklet is only a guideline. Jeff said that he would like the Committee members to select the fourth member of the Audit Committee.

MOTION: Ralph moved to appoint the chairman of the Budget Committee. Sharon seconded, and it passed 3-0. Ralph amended his motion to say the chairman or his permanent designee. Sharon seconded, and it passed 3-0. Jim said he would suggest checking with Wolf Dyer first and seeing who he may recommend. Jeff will contact Wolf to see if he wants to be an Audit Committee member. Ralph moved to withdraw his motion and his amended motion. Sharon seconded, and it passed 3-0. Jeff would like to get this resolved and have the new member on board by the beginning of the next year.

BUSINESS FROM THE COMMITTEE

Sharon asked if the Audit Committee can create a policy regarding the rotation of auditors. Wes said that you can put out a request for audit proposals every five years and you can reject all auditors if you so choose. Jim suggested that it would be best if the Council can direct the City Manager to request RFP's for auditors every five years. Sharon said that with a policy it may be easier to tell current auditors that we will be switching every five years. Betty said we do have a financial policy, and we could include it on that instead of on an audit policy.

NEXT MEETING DATE:

To be announced. It will depend on when the audit report and management letter is ready for review. John said he believed it will be ready in January.

ADJOURNMENT

There being no further business, the meeting was adjourned at 3:42 p.m.

Respectfully submitted,

Signature on File

Diana Eilers
Administrative Assistant I

Reviewed by,

Signature on File

Jeff Christman
Chairman