



AUDIT COMMITTEE  
Willamette Room  
Wednesday, October 3, 2007  
3:00 p.m.

**MINUTES**

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

Committee members absent: None.

Staff present: Stewart Taylor, Finance Director; Mike Murzynsky, Senior Accountant; John Stahl, Assistant Finance Director; Diana Eilers, Administrative Assistant I

Others present: Scott Keen, Jeff Eschen, and Shane Ratigan from Boldt, Carlisle, and Smith.

**CALL TO ORDER**

Jeff Christman called the meeting to order at 3:02 p.m.

**APPROVAL OF DECEMBER 11, 2006, AND JUNE 7, 2007, MINUTES**

MOTION: Ralph moved to approve the minutes from December 11, 2006, and June 7, 2007. Sharon seconded the motion, and it passed 4-0.

**SCHEDULED BUSINESS**

June 30, 2007, Audit

This is the first year for Boldt, Carlisle, and Smith to handle the audit for the City of Albany. Scott said that overall it has been a good audit. The day-to-day operations are being done properly. An area of weakness is the information and communication internal controls. The financial activities of each department are not all getting reported to the Finance Department. It is important to know how each individual department is communicating with one another.

Scott gave the following examples of areas that need improvement:

1. \$400,000 assessment receivables has been on the books for eight years, and nothing has been collected on it; it ended up being a sewer line connection, and the project hasn't been done. John Stahl explained that this is shown as deferred revenue and should be taken off the books because the project is probably not going to be done.
2. CARA – Iron Works Project. The City has an agreement with Iron Works in which the City has loaned the company \$255,000 to secure the construction; but if the project is successfully completed, it will be considered a grant. Stewart said this is why communication and information coordination needs to be done to properly document transactions in the books.
3. Fixed Assets – It didn't appear that any assets were disposed of, when in fact there had been (including the sale of land and police and fire vehicles) and Finance wasn't made aware of it. Jeff Christman asked for suggestions to fix these types of things. Scott suggested when contracts get approved through Council, the minute taker should make sure Stewart and John are aware of them. The deletion of assets form should be filled out when an item is disposed of. Stewart said that when the City gets the Audit

report, there will be a manager's report to respond to these issues. Sue Folden asked if Have steps been taken to take care of the disposal of fixed assets.

John said they just received the information on Monday, and efforts will be made to make sure everyone is following the correct protocol. Inventory value had not been kept on the books at Public Works, but Public Works has since followed steps to keep a handle of the inventory. Jeff Christman asked about what is kept on the books as inventory. John said that Public Works has recorded most items, including small ticketed items.

Stewart asked how we compare to other municipalities. Scott replied that we are one of the larger municipalities they have worked with; Ambulance, Fire, and Assessments are unique to Albany. There are ten to twelve different types of assessments. Urban Renewal – Central Albany Revitalization Area (CARA) is run in a unique situation as less money is bonded and more money is granted.

Stewart asked about when the audit would be completed. Scott said that they will be wrapping everything up on Friday, October 5. After that, everything should be completed within 60 days or so. Sharon said that there were questions regarding how we transfer funds and how we charge funds between departments and whether it is being done correctly, and whether the chargeback rates were correct related to SDC funds. Scott said that they have not gotten into that yet, but they will be covering that. John said that an independent rate analysis was done, and the rates were a little high and had been fixed. John said that in this current fiscal year, project accounting has been implemented; so accounting will be much more accurate regarding the SDC's. Jeff Christman asked if the Committee be meeting again when the report is done. Scott said yes; and if there are any serious deficiencies, the Committee will be notified.

#### Transient Room Tax Audit

Scott said that Brad had pulled up the Transient Room Tax Ordinance and said that the City can elect to audit any businesses' books that should be paying the Transient Room Tax. Sue asked for current Transient Room Tax revenue amounts. John said that it is about \$700,000 a year. Sue asked how much it would cost to do a Transient Room Tax Audit. Jeff Eschen said it will depend on the number of hotels audited. John said there should be a policy stating how often these types of audits are done. Sharon suggested doing all of them the first time around and then maybe doing two randomly each year. Jeff Eschen said that other cities usually audit two or three hotels a year. Jeff Christman asked Stewart to bring back the information regarding how many hotels we have, how much revenue is coming in, and if the data being reported makes sense. Stewart said that if additional audits will be done, it may need to go to the Budget Committee to approve the costs of additional audits. Jeff Christman said that this matter should go to the Council for approval so the audit can be completed sooner.

#### Franchise Tax Audit

Scott said that looking at a franchise's local revenue may be the best way to get an accurate report; a procedure agreement may need to be set up with each franchise. Auditing the financial statements may not get the information the City is looking for as there are usually corporate costs in the financial statements. Sue asked what type of reporting information the City gets when receiving payment of franchise fees. John said there is usually a one-page statement that they return with the fees; this goes for the Transient Room Tax as well. Jeff Christman asked who handles the franchise agreements. Stewart said the agreements are being transitioned to him. The estimated revenue from Franchise Taxes is between four and seven million dollars. Ralph asked if this would be a good time to do an audit of our street light system. Stewart said that this may be something we want to audit in the future.

BUSINESS FROM THE COMMITTEE

None.

NEXT MEETING DATE

To be announced depending on when the audit report is ready. The report was estimated to be ready in about 60 days.

ADJOURNMENT

There being no further business, the meeting was adjourned at 4:15 p.m.

Respectfully submitted,

*Signature on File*

Diana Eilers  
Administrative Assistant I

Reviewed by,

*Signature on File*

Jeff Christman  
Chairman