



NOTICE OF PUBLIC MEETING

COUNCIL AUDIT COMMITTEE

City Hall

Calapooia Room

Thursday, January 13, 2011

1:30 p.m.

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF MINUTES
 - January 14, 2010. [Pages 1-2]
 - Action: _____
4. SCHEDULED BUSINESS
 - a. Business from the Public
 - b. Presentation of the FY2009-2010 auditor's report. [Pages 3-7]
Action: _____
 - c. Transient Room Tax audit. [Verbal]
Action: _____
5. BUSINESS FROM THE COMMITTEE
6. NEXT MEETING DATE: *TBA*
7. ADJOURNMENT

City of Albany Web site: www.cityofalbany.net

The location of the meeting/hearing is accessible to the disabled. If you need special accommodations to attend or participate, please notify the Human Resources Department in advance by calling (541) 917-7500.



DATE APPROVED: _____

AUDIT COMMITTEE
Periwinkle Room
Thursday, January 14, 2010
1:30 p.m.

MINUTES

Committee members present: Jeff Christman, Ralph Reid, Jr., Sue Folden (via phone)

Committee members absent: Sharon Konopa (excused)

Staff present: Stewart Taylor, Finance Director; John Stahl, Assistant Finance Director; Mike Murzynsky, Senior Accountant; Diane Wood, Purchasing Coordinator

Others present: Brad Bingenheimer of Boldt, Carlisle, & Smith, LLC

CALL TO ORDER

Jeff Christman called the meeting to order at 1:30 p.m.

APPROVAL OF APRIL 11, 2008, MINUTES

MOTION: Ralph Reid moved to approve the minutes from January 15, 2009. Sue Folden seconded the motion, and it passed 3-0.

SCHEDULED BUSINESS

Business from the Public

None.

Presentation of Findings for the FY2008-2009 Audit

Brad Bingenheimer said that the financial statements present the operations of the City clearly. He said that there are no findings to report and no noncompliance issues. Brad said that it was a clean audit. Brad discussed what was contained in the Independent Auditors' Report. Jeff asked what would be considered a business-type activity. Brad said that water and sewer operations are business-type activities. He said that anything that is self-sustaining through user fees would describe a business-type activity, and all others are considered a governmental activity. Stewart said that there were additional auditing standards last year which included the internal controls within the City. He said that the City's obligation is that the bank of record is on file at the Oregon State Secretary's Office. Brad said that the budget was prepared and adopted within the ORS rules. Ralph asked if the insurance rate was raised in 2008-2009. Brad said that most stayed the same except for buildings and equipment going up, but that is normal.

Brad said that the auditors issued two other reports: The Internal Control Report and the Single Audit Report. Discussion followed. Brad said that different grants have different requirements: for example, there may be a 25 percent money match or the monies can only be used for purchasing land only. John said that in these cases, staff keeps track of the grants depending on the rules; it is easier to separate the grants out of the budget lines. Brad said that, with regards to the grants, everything looks great in the general ledger, it just seems to be poor communication about the grants within the departments. Ralph asked why the communication is not there. Brad said that there is recognition of a need for specific information. Sue asked how many grants the City received. Brad said that there are 11 different grants (federal) and that number fluctuates year to year. He said that grants \$500,000 or more require a special audit. Stewart said that there are additional reporting requirements for stimulus dollars. Stewart said that this is Mike Murzynsky's first year taking the lead in the preparation of these financial reports; John helped with the process. Stewart said that Mike did an excellent job.

Jeff asked about the review of the budget process. The legal compliance of the process is what they look at, Brad said. He said that CARA was also audited; it is a separate entity, but it is an integral part of the City. Brad said that there was a clean opinion on these as well. Brad talked about the PERS and GASB 45. Discussion followed.

Transient Room Tax Audit

Stewart handed out room tax information reports (see agenda file). Stewart said that the final audit was done yesterday. He said that two years ago, audits were conducted on all of the hotels in Albany. Last year, four hotels were audited. This year, three different ones were audited: Holiday Inn Express, Super 8, and Knox Butte RV.

Holiday Inn Express – certificate not displayed, correct amount of taxes paid.

Knox Butte RV Park – certificate displayed and correct amount of taxes paid.

Super 8 – certificate not displayed, correct amount of taxes paid.

Jeff said that the certificate of authority isn't displayed very often and wondered why. Brad said that he didn't know why, because the certificate is fairly small and nondescript. Ralph asked if it would be minimal to the City to provide a frame to the hotel. Stewart said that he would check with Barbara about who generates the certificate. Jeff asked if this would come to the City Council. Stewart said that he didn't think it would come to the City Council.

BUSINESS FROM THE COMMITTEE

Sue asked about auditing franchise fees. Jeff said that he remembers the conversation from the last meeting, but he didn't think it went anywhere. Brad said that there were a number of cities that got together to look into Qwest's franchise fees. Ultimately, they realized Qwest had underpaid. Brad said that auditing franchise fees is a real challenge because you are dealing with large corporate entities. He said that cable, electrical, and telephone franchise fees are very difficult to audit without expending a lot of resources. Brad said that for a city to do this, it would be very costly. Jeff said that it sounds like it is something we leave on the table for now. Stewart said that if there were enough questions, it would probably be a multi-city task.

NEXT MEETING DATE

No meeting scheduled at this time.

ADJOURNMENT

There being no further business, the meeting was adjourned at 2:45 p.m.

Respectfully submitted,

Diana Eilers
Administrative Assistant I

Reviewed by,

Jeff Christman
Chairman



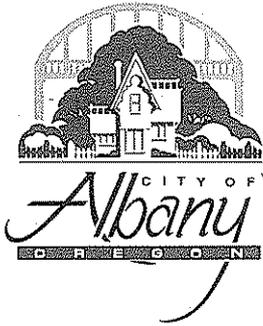
TO: Audit Committee
FROM: Stewart Taylor, Finance Director 
DATE: January 6, 2011
SUBJECT: June 30, 2010 Audit Report

Brad Bingenheimer will present the audit report for year end June 30, 2010 at our committee meeting on Thursday, January 13, 2011. You should have already received a letter from him describing significant audit findings.

The Comprehensive Annual Financial Report is available online at the Finance Department website. If you prefer a hard copy of the document, please let me know.

Management's response to issues identified by the audit to improve financial controls and efficiencies is included with this agenda packet. Please contact me with any questions you would like to discuss prior to the meeting. Otherwise, I'll see you next Thursday.

ST
c: Wes Hare, City Manager



January 5, 2011

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Call-A-Ride
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TDD 541-917-7762

Transit
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Brad Bingenheimer, CPA
Boldt, Carlisle & Smith, LLC
480 Church Street SE
Salem, OR 97301

Dear Brad:

MANAGEMENT RESPONSE

The purpose of this letter is to provide management's response to the items identified in the management letter to be presented, together with the audit report, to the Council Audit Committee on January 13, 2011. Your report and presentation are appreciated and help to strengthen the internal controls and efficiencies of the City's financial operations.

Accounting for Receivables in the Grants Fund

Management's practice has been to create a receivable only for requests for payments that were outstanding as of June 30. Management recognizes that the recommended practice of recording the receivable concurrent with timely reimbursement requests throughout the year creates greater internal control and documentation. However, the practice is difficult to implement without a fully centralized grants coordinator function. Staffing constraints limit management's ability to create a fully centralized grants coordinator position. However, management will identify ways to better document and test controls that establish the recorder's office as the central repository for grant awards and contracts, and place accountability with operating departments for timely management and documentation of grant activity in department project files.

Digital Archives

The City's Digital Image as Original (DIO) policy and our Records and Information Management (RIM) policies and procedures have been approved by the State Archives Division and have been recognized as model programs by the American Public Works Association in the recent accreditation of the Public Works Department. Management will modify the DIO and RIM procedures to better address the issues of duplication between libraries, uniformity of directories, and control of documents included in the archive.

Inconsistencies and Adjustments to the Financial Statements

The series of Excel spreadsheets used to prepare the Comprehensive Annual Financial Report has evolved over the past thirty plus years. The rounding differences and inconsistencies inherent in the spreadsheets have become apparent due to turnover in a key position in the Finance Department. Management concurs with the need to reevaluate the spreadsheets and the flow of information to more accurately and consistently arrive at the final statement balances. Steps will be taken during the next



Management Response

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January 5, 2011

year and particularly at the beginning of the next reporting cycle to modify the spreadsheets to achieve a cleaner and more efficient process.

Thank you again for your participation with our Audit Committee and for your desire to assist us in improving the internal controls and financial reporting for the City of Albany.

Sincerely,

Stewart Taylor
Finance Director

ST

Attachment: Management Letter from Boldt, Carlisle & Smith, LLC
c: Wes Hare, City Manager

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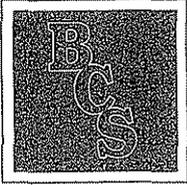
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BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

CITY OF ALBANY
333 Broadalbin SW
Albany, OR 97321

In planning and performing our audit of the financial statements of the CITY OF ALBANY as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness on the City's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Below are our comments and suggestions regarding those matters. We previously reported on the District's internal control in our report dated December 10, 2010. This letter does not affect our report dated December 10, 2010, on the financial statements of the CITY OF ALBANY.

1. The accounting for the Grants Fund of the City has some short comings. Almost all the grant programs of the City operate on a reimbursement basis whereby expenditures are made and subsequently grant reimbursement is requested. The accounting procedures for these programs has no mechanism for recording a receivable when the reimbursement is requested, there is no centralized monitoring to ensure that grant reimbursements are being requested in a timely manner, and there is no centralized and consistent filing of grant documents (awards, agreements and reports). We recommend that the City implement processes to identify all grant programs of the City, provide for centralized monitoring to ensure reimbursements are made in a timely manner, and create a centralized location for all grant related documents.
2. The City has implemented a paperless archive of documents using the laserfiche system. While conducting our audit we discovered that the process to find a particular document in this archive can be difficult and requires City personnel to access another system that provides the reference to locating a document. We also noted that different departments will have different libraries of documents, however there are instances of documents being duplicated between these libraries. Additionally, there is no centralized control over what is archived and no centralized control to ensure that everything that should be archived has been archived.

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3. The Comprehensive Annual Financial Report (CAFR) of the City is prepared by the Finance Department using a series of Excel spreadsheets which utilize data from the City's general ledger, make modifications, and finally arrive at the final statement balances. Our review of the City's CAFR noted a large number of rounding differences and inconsistencies within the financial statements. Additionally, it was noted that the preparation of the CAFR required adjustments that are not incorporated into the City's accounting system.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Boldt, Carlisle & Smith, LLC

Certified Public Accountants
Salem, Oregon
December 10, 2010