



DATE APPROVED: January 22, 2016

AUDIT COMMITTEE
Calapooia Room
Wednesday, January 23, 2015
3:00 p.m.

MINUTES

Committee members present: Sue Folden, Sharon Konopa, Ray Kopczynski, and Bessie Johnson

Committee members absent: None

Staff present: Stewart Taylor, Finance Director; Anne Baker, Senior Accountant, Jeanna Yeager, Senior Accountant

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

CALL TO ORDER

Chair Sue Folden called the meeting to order at 3:00 p.m.

APPROVAL OF JANUARY 27, 2014, MINUTES

MOTION: Ray Kopczynski made a motion to approve the minutes from January 27, 2014. Sharon Konopa seconded the motion, and it passed 4-0.

SCHEDULED BUSINESS

Business from the Public

None.

Presentation of the FY2013-2014 Auditor's Report

Brad Bingenheimer said this year's audit presented some opportunities and challenges because of the departure of Senior Accountant Mike Murzynsky. Staff was able to look at different processes in order to move forward with the audit process. He said his firm is able to give a clean opinion of the financial statements. He said the financial statements had previously been put together using a complicated process that included a series of Excel spreadsheets. Staff chose to purchase financial software from CCH which enables users to pull the trial balance in; and through grouping processes, can build financial statements. The software allows for changes to flow through the statements and update information automatically. He said a big benefit of this software is that staff can turn over completed work easily and quickly to the auditing firm. He went on to say that it will also be easier for new staff to use and understand.

Konopa asked if other Oregon municipalities use the software. Bingenheimer said no, but there are several municipalities in California that use it. It is designed as a tool for auditors, but it makes it easier for municipalities to develop the CAFR. Konopa asked if the software will be outdated quickly and would need to be replaced in a few years. Bingenheimer said no, this software has been around for many years.

Finance Director Stewart Taylor said staff turnover can be used as an internal control because it allows for reviewing work processes. He said the cost of the software was \$6,000 and there is a \$1,000 annual maintenance fee.

Senior Accountant Anne Baker said she uses a spreadsheet created by John Stahl to prepare the budget document, and she hopes to use this software to make the transition from the old spreadsheet.

Bingenheimer gave an overview of the audit results. He said the City's total assets were \$427 million dollars, and infrastructure and other capital assets make up the largest portion of assets. The total liabilities are \$114 million dollars and there is \$313 million dollars in net equity. Other highlights include:

- Governmental funds: \$48.6 million dollars of assets. Staff is doing everything they can to be mindful of City funds.
- General fund: Down by \$280,000. A cushion of funds remains in the risk management fund and that amount was unchanged and has a balance of \$13.7 million dollars.
- Street fund: There was a 1.9% increase in the fund balance mainly due to SDCs. This is a sign of good financial health for the organization.

Bingenheimer said \$25 million dollars was budgeted for revenues and \$24.7 million dollars was spent. He said \$29 million dollars was budgeted for expenditures and \$27 million dollars was spent.

Taylor said the contingency was budgeted higher, but some of the funds were moved to the Municipal Court Fund because the prisoner charge had exceeded the budget. There is \$970,000 in the general fund contingency. Konopa asked if that amount is lower than it should be. Taylor said the City is still within the required amount outlined in the policy. He said the original amount in the contingency was \$1.2 million dollars.

Bingenheimer said only one item went over budget and that was the ambulance fund. He said there are no areas of concern in the internal controls and compliance aspect. There are good controls in place for the day-to-day transactions. Payroll, accounts payable, and accounts receivable transactions are all being handled correctly.

Kopczynski asked how Albany is doing versus other Oregon municipalities. Bingenheimer replied that the City is right up there with the other municipalities of its size. Albany has the resources available in order to maintain good internal controls. He said this can be a challenge for smaller cities.

Bingenheimer said the audit team looks at the federally funded programs to verify that the City is in compliance with the requirements of the specific programs. For example, they reviewed the U.S. Department of Transportation Transit Grant which is \$543,000. He said no instances of noncompliance were found. The City expended \$2 million dollars of federal grant awards.

Bingenheimer said a new accounting standard (Statement #68) will have a significant effect on financial statements. He said it relates to the city's participation in PERS. PERS has more obligations than assets at this point, and this new standard will require the City to report the unfunded PERS liability balance. He said there will be a new set of federal regulations for grant compliance beginning the next fiscal year. This is to create uniform grant guidance and to bring everything together in a single document.

Kopczynski asked if, next year, the Audit Committee could get the preliminary reports before the meeting. Taylor said he would make sure the Committee members received copies before the meeting.

Johnson said she remembered discussing the administration of grants last year. Bingenheimer said that the auditors had suggested having a grants coordinator who could handle all of the grant administration because different departments handle the various grants. Due to this, some of the required documentation doesn't get turned in to Finance in a timely manner. Taylor said there is not funding available for a specific grants coordinator, but staff has been giving more attention to administering the grant programs. He said staff places accountability within each department to make sure they are getting the required documentation.

Bingenheimer thanked staff for all of their work on this year's audit process. Taylor said Bingenheimer's firm did a tremendous amount of work to get the audit done.

The Audit Committee agreed to move forward with making a recommendation to City Council to accept the Audit Report. Kopczynski will take the lead with sharing the recommendations of the Audit Committee.

Transient Room Tax Audit

Taylor discussed the 2015 Transient Room Tax Audit report. He said four hotels were scheduled to be audited, but the La Quinta Inn will be audited the following year because it changed management in December 2014. The three hotels audited were the Budget Inn, the Blue Ox RV Park, and the Valu Inn. No compliance issues were found. Taylor said he compares the past six months of corporate reports to the monthly reports that are submitted to the City.

Konopa commented that auditing has made a big difference.

BUSINESS FROM THE COMMITTEE

None.

NEXT MEETING DATE

No meeting scheduled at this time.

ADJOURNMENT

There being no further business, the meeting was adjourned at 3:50 p.m.

Respectfully submitted,

Signature on File

Diana Eilers
Administrative Assistant I

Reviewed by,

Signature on File

Sue Folden
Chair