

**City of McMinnville**  
**City Council Audit Committee**  
**Meeting Minutes**

**Date:** May 9, 2017, 4:00 p.m.

**Audit Committee:** Scott Hill, City Councilor  
Kellie Menke, City Councilor  
Peter Hofstetter, Chief Executive Officer for Willamette Valley Medical Center

**Auditor:** Tonya Moffitt, Merina & Company

**Staff:** Jeff Towery, City Manager  
Marcia Baragary, Finance Director  
Ronda Gretzon, Senior Accountant

Minutes from the February 4, 2017 meeting were presented and approved.

The Committee discussed the appointment of Mr. Peter Hofstetter to fill the Audit Committee position vacated by Fred Stemmler. The open position was advertised in the News Register and Peter was interviewed by Scott and Kellie. Peter meets the requirements of Resolution 2007-05, which established the Audit Committee and states that the two City councilor members of the Audit Committee may appoint a member from the Budget Committee, preferably a member having accounting or related financial experience. Scott and Kellie indicated that Peter meets those requirements and passed a motion to appoint him to the Audit Committee.

**Audit Deliverables**

Ms. Tonya Moffitt, partner with Merina & Company (MCO), explained that MCO will render an opinion on the basic financial statements and perform a single audit. Single audit regulations, which were previously prescribed by OMB Circular A-133, are now included in 2 CFR 200, commonly called "Uniform Guidance." Under Uniform Guidance rules, the threshold for a single audit has increased from \$500,000 to \$750,000. The Federal Aviation Administration (FAA) grants will likely cause the City to exceed the threshold for fiscal year 2016-17. The single audit will be issued as a separate Report.

Tonya then explained that, in the City's Comprehensive Annual Financial Report, Urban Renewal is treated the same as other funds of the City. However, the City will also prepare "stand alone" financial statements for the Urban Renewal Agency and MCO will render a separate opinion on the URA statements.

Tonya described the Independent Auditor's Report that will be issued by MCO, which is required by Oregon State Regulations. She also described the Summary of Revenues and Expenses that will be prepared by MCO and is required by Oregon Minimum Standards.

Tonya then discussed AU-C 260 – The Auditor's Communication with Those Charged with Governance. The purpose of this letter is to disclose the planned scope and timing of the audit and explain the role of the auditor. Tonya also discussed AU-C 265 – Communicating Internal Control Related Matters Identified in an Audit, which is shared with those charged with governance upon completion of the audit.

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**Audit Approach**

MCO staff will be on site for interim fieldwork June 19<sup>th</sup> through the 23<sup>rd</sup>. They will focus on internal controls and will perform walk-throughs of City processes. Information gathered during interim fieldwork plays an important part in MCO's risk assessments and development of audit programs and procedures.

MCO staff will be on site November 6<sup>th</sup> through the 17<sup>th</sup> for final field work, which includes performing all remaining audit areas not completed during interim fieldwork, evaluating audit results, and conducting an exit interview with City management.

Marcia mentioned that the City will again contract with Smith-Wagar Brucker Consulting LLC to assist with financial statement preparation. Marcia indicated she was very impressed with Debbie Smith-Wagar's expertise and knowledge of governmental accounting after working with her on last year's audit.

**Fraud Discussion**

Tonya asked Committee members if they have any concerns about fraud at the City. She mentioned that members could email or call her with concerns if they were more comfortable with that approach. She indicated that it's important to pay attention to "red flags", such as an employee living beyond their means. Committee members should feel free to report anything that appears to be "just a bit off", in their opinion. City Councilors will also receive a letter that inquires about fraud concerns and asks questions regarding related parties. Scott and Kellie both indicated that they have no fraud concerns or any other areas of concern at this time.

Peter asked whether there were any specific departments of the City which handle a significant amount of cash. Tonya indicated that, typically, auditors will review processes and procedures in Municipal Courts and make recommendations, such as the importance of making sure a receipt is given to everyone who makes a payment. Tonya also mentioned that MCO will identify different areas of focus every year and will perform "surprise" audit procedures, when appropriate.

**New GASB Statements**

Tonya reviewed new GASB statements that are effective for the 2016-17 fiscal year and in future years.

- *GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – This statement establishes new accounting and reporting requirements for OPEB plans. Statement 75 is required to be implemented with fiscal years ending June 30, 2018.
- *GASB Statement 77, Tax Abatement Disclosures* – This statement requires disclosure of tax abatement information about the government's own tax abatement agreements and those that are entered into by other governments that reduce tax revenues. Statement 77 is required to be implemented with fiscal years ending June 30, 2017. Tonya mentioned that tax abatement information should be made available by the County Tax Assessors office.

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- Tonya mentioned that the GASB is currently reviewing GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The OSCP has made a recommendation to the GASB that only full accrual and budgetary statements be included in the government’s financial statements and that the modified accrual fund financial statements be eliminated.

Other Items for Discussion

Marcia reviewed comments that MCO included in the Management Letter that was issued subsequent to the fiscal year 2015-16 audit. Comments included the following:

- Implement additional controls around payroll and segregation of duties
  - Marcia described the Finance Director’s review that is currently in place and indicated that the Logos personnel action processing module, which will be implemented in 2017, will provide additional controls
- Implement additional controls around processing of FireMed payments
  - Marcia described her discussions with Chief Leipfert and Fire Department staff. The Office Manager and Administrative Specialist have proposed a process that would provide additional internal controls. Tonya indicated that, although this solution isn’t ideal, it is an improvement in controls.
- Implement system in Municipal Court for entering and printing receipts from Court system instead of creating manual receipts
  - An upgrade of the Court system, which will address this concern, is scheduled for mid to late summer.

There being no further business to come before the Committee, the meeting was adjourned at 5:15 p.m.