Purpose: Review the fiscal year 2009 audit.

Attendance: Belt Harris & Associates: Nathan Krupke, CPA

Audit/Finance Committee: Cindy Siegel, Mayor
Jim Avioli, Sr., Councilman
Corbett Parker, Councilman
Bernie Satterwhite, City Manager
Donna Todd, Chief Financial Officer

Other Attendees: Lynn McBee

This meeting was held in the conference room adjacent to the City Manager’s office. Councilman Jim Avioli called the meeting to order at 12:00 PM since the mayor was delayed by an appointment. Mayor Cindy Siegel joined the meeting in progress at approximately 12:45 PM.

Nathan Krupke distributed copies of the following prior to the start of the meeting: copy of the City’s 2009 Comprehensive Annual Financial Report (CAFAR), Single Audit Reports, Required Auditor Disclosure Letter, and Management Letter. Donna Todd formally introduced Mr. Krupke to the committee members. Bernie Satterwhite explained the purpose of the meeting to review the audit in a more “nuts and bolts” approach with the committee. For the benefit of the newest committee member, Corbett Parker, Mr. Krupke went through the CAFR in more detail explaining the letter of transmittal, the independent auditor’s report (giving an unqualified opinion), the Management’s Discussion and Analysis, and the financial statements. Mr. Parker asked several questions about how this report compares to the 10-K in the private sector, and Mr. Krupke answered those questions reviewing how the reports are different in terms of focus and presentation. He proceeded to review the basic financial statements and the notes to the financial statements. He briefly discussed the changes in nomenclature for fund balances, which will be required in about two years. He said the City could choose to implement these changes early starting with the 2010 CAFR. He also discussed the new required OPEB (Other Post Retirement Benefits) disclosure related to health care and retirement costs for retirees. He also reviewed some of the required supplementary information including the budget to actual comparison.

Mr. Krupke then presented the single audit reports required as a result of Hurricane Ike. There were no additional findings in the single audit. Next he reviewed the required auditor disclosure letter. There were no new accounting policies, no disagreements with management and no difficulties in doing the audit. He reviewed the adjusting journal entries report.
Mayor Siegel joined the meeting and Mr. Avioli gave a brief review of the discussion thus far, turning the meeting over to Ms. Siegel. Mr. Krupke continued the presentation with a review of the management letter and reviewed each of the findings and recommendations in the letter. He noted that capital assets had been removed as a comment in the management letter thanks to the City’s efforts to complete prior year reconciliations and bring the detail records up-to-date.

The Mayor asked what the City could do about better internal control particularly in municipal court, as an example. Ms. Todd explained that there were very infrequent problems with court deposits and those were always corrected immediately. The Parks & Recreation Department, on the other hand, tended to have more problems and the Finance Manager was working with them on cash handling matters. Also, there are surprise cash counts, and Ms. Todd is working to get these scheduled more frequently during the year (e.g., quarterly vs. annually). Mr. Parker than asked about who checks the CFO. Mr. Krupke explained that you can never eliminate all risk, but you work towards maintaining and looking for ways to improve checks and balances. He noted that the firm has a model that he could share with the City in order to implement some more formal internal control processes, and he said he would provide a copy to Ms. Todd. Other questions that were discussed included internal control issues related to purchasing cards and travel advances.

Mr. Avioli asked directly if there were any problems here? Ms. Todd explained that this was the best audit she had been through at the City and it had been completed much earlier than in recent years, which she believed was the result of improved preparation, organization and teamwork. She spoke very highly of the Finance Department staff and the commitment to doing a good job for the City. Mr. Parker asked where we could improve. Mr. Krupke suggested formal discussions of internal control processes and documentation of policies as a starting point to be followed with more regular discussions to keep everyone aware and to make changes as needed.

Mr. Krupke will present the audit to City Council on March 1, 2010.

The Mayor adjourned the meeting at 1:13 PM.