

AGENDA ITEM #1

MEETING OF APRIL 22, 2008

**CITY OF CRESCENT CITY
MEETING OF FEBRUARY 27, 2008
MINUTES**

Audit Committee present:

Kelly Schellong – chair
Dennis Burns
Dianne Nickerson

Audit Committee absent:

None

Staff Attending:

Eli Naffah – City Manager
Stanley Arend – Finance Director (interim)
Bridget Lacey – Secretary

Chair Schellong called the meeting to order at 12:00 p.m.

Public Comment

Jim Gibson noted that there were originally 21 items on the auditors report to be corrected and only 4 had been addressed to his knowledge. When will the others be discussed and amended?

Chair Schellong stated that an update for issues matrix has been requested, but that some of the issues cannot be tackled until after the auditor is hired.

Public comment closed.

Reports

None.

Unfinished Business

None.

New Business

Motion: Chair Schellong made a motion to approve the minutes from the February 20, 2008 meeting.

Motion approved 3-0.

AGENDA ITEM:

Authorize the City Manager to negotiate and execute a contract with Donald R. Reynolds, CPA of Redding, California for independent audit services pursuant to the proposal received in response to the City's RFP

Mr. Arend stated that, as requested at the last Audit Committee meeting, the evaluation committee requested an updated price proposal to include potential additional audit tasks beyond the basic audits specified by the City's Request for Proposals. This revised price proposal with the additional tasks is presented for the Committee's consideration. If the Committee approves the revised price proposal, the City Attorney will draw up a contract for the City Manager and the CPA firm to execute.

The Committee asked the following series of questions:

Q: Mr. Burns asked if the contract is only for FY2006-07, with options built in to continue with firm from year to year?

A: Mr. Arend stated that the contract would be set up for two years, then next fall the committee would have the option to exercise firm for 2 more years.

Q: So then after 4-5 years, we should change auditors to keep from becoming too familiar with them, Mr. Burns stated.

A: Mr. Arend agreed. He then reported that the RDA audit would be included in the base price (\$14,000), and has received fixed prices on special service items.

Q: Chair Schellong asked how this would help Mr. Arend.

A: Mr. Arend would like to exercise options for reasons of time management issue so he would be able to concentrate on other pressing issues such as the budget while the audit was proceeding.

Q: Chair Schellong asked Mr. Arend to describe each of the special service items.

A: Mr. Arend explained as follows:

Item A. General purpose audit for the Housing Authority - \$5,100: Currently, there is not a separate financial report for the housing authority. It is desirable to do so because of compliance issues with federal regulations and its large amounts of payments to third parties. He pointed out that the Housing authority has a \$5,000 line item in its budget for audit.

Item B. Draft external financial statements for all audits - \$3,400: Staff can either deliver completed drafts of external financial statements to the auditor or deliver a final trial balance to the auditor who translates the trial balance into the form of the external statements. This item is for the trial balance method that saves time for staff.

Item C. Annual State Controller report for all entities - \$2,720: These are governmental unit annual reports required by the State Controller. This saves staff time.

Item D. Annual Streets/Gas Tax report to the State - \$1,020: These are special revenue annual reports required by the State Controller. This saves staff time.

Item E. Distribute all audit reports to all required agencies - \$510: The external auditor would send copies of the audited financial statements to the various entities that require them. This ensures of staying in compliance with all required recipients and identifying new requirements as they occur.

Item F. Perform all Appropriations Limit calculations - \$1,360: Mr. Arend explained that there is a limit on the amount of expenditures a city can appropriate based on property value. One state report requires that this figure be included, but since we are a small city is very unlikely that we would approach our limit.

Item G. State Transportation Improvement Pro reports - \$2,550: currently, Crescent City does not have this reporting responsibility, but this provides the option to have the auditor do the reports should they be necessary.

Q: Chair Schellong asked if these proposed fees were of fair value.

A: Mr. Arend stated that they were reasonable.

Q: Chair Schellong asked how much was in the budget for the audit.

A. Mr. Arend stated that he thought it was \$25,000.

Motion: Chair Schellong made a motion to negotiate and execute a contract through the City Attorney for the original audit.

Motion approved 3-0.

Chair Schellong then opened discussion to the additional tasks pointing out the Housing Authority, Financial Statements, and State Controller report items alone exceed \$10,000.

Mr. Burns stated that he would definitely like to add the Housing Authority. He suggested just authorizing a \$10,000 limit to fixed price tasks and requiring motion from the Audit Committee for authorization of additional services in the future.

Motion: That the City authorize staff to contract with the auditor for additional items A, B, E and F for the FY2006-07 audit at this time.

Motion is approved 3-0

Public Comment

Unidentified person asked how long the contract is for?

Chair Schellong replied that it is for two years and with an option for two additional years.

Mr. Arend noted that, if the contract runs its full length through the options, the contract will "go to bid again" after four years.

Mr. Burns asked if City Attorney would be starting the contract soon.

Mr. Naffah stated that the City Attorney would request from auditor what he would like included.

Chair Schellong stated that this could happen within the week.

Mr. Arend added that the auditor's references were checked and were all positive.

Reports, Concerns, Referrals

Chair Schellong asked Mr. Arend to coordinate with her for the kick off meeting.

Adjournment

Next audit committee meeting is set for Tuesday, April 8th at 12:00 pm.

Meeting is adjourned at 12:27pm