

**CITY OF CRESCENT CITY
AUDIT COMMITTEE
MINUTES**

Audit Committee present:

Kelly Schellong – chair
Dennis Burns

Audit Committee absent:

Dianne Nickerson

Staff Attending:

Mike Young – City Manager (interim)
Kenneth McDonald – Finance Director
Stanley Arend – Finance Director (interim)
Bridget Lacey – Secretary

Monday June 2, 2008 11:07 a.m.

Chair Schellong called the meeting to order at 11:07 a.m.

Public Comment

None.

Reports

• **Internal Control Aspects of FY2008-09 Budget Process**

Mr. McDonald stated that there is a massive need for General Ledger maintenance. He also noted that there were no narratives in last year's budget and that this is something that is needed in order to understand the budget better. He stressed the fact that the problem is with the unknown.

Mr. Arend agreed that there are many inconsistencies in the account structure and approximately 8000 line items that need to be cleaned up. He also suggested that the reorganization for the Chart of Accounts be driven off of State and other required reports, as to streamline the reporting process.

Mr. McDonald stated that this is something that needs to be done before the budget can be completed. He suggested that the order of upcoming business should be: Chart of Accounts maintenance, FY2008-09 Budget, then FY2007-08 year-end close.

Mr. Burns noted that we will still need to have a preliminary budget approved by the end of June.

Mr. Young stated that he liked the idea of adding the narratives to the FY2008-09 budget.

Unfinished Business

None.

New Business

1. Motion: Chair Schellong made a motion to approve the minutes from the April 22nd, 2008 meeting.

Motion approved 2-0.

2. Proposed contract amendment for FY2006-07 Audit

Chair Schellong stated that, in communicating with the new auditor, it has come to her attention that the auditing process is not going well. She reported that because of the inconsistencies in finance, the auditor has found a lot of mistakes and has requested additional funds to complete the audit on time. She noted that June 30th is the deadline for completion. After this date, fines would be assessed in addition to putting Mr. McDonald further behind in the budget process.

Mr. McDonald noted that the auditing firm has put a cap on the additional amount requested, so the City will be protected from any other charges in the future.

Motion: Chair Schellong made a motion for the City Manager to amend contract with Donald R. Reynolds, CPA, not to exceed \$25,000.

Motion approved 2-0.

Reports, Concerns, Referrals

1. Previous Auditor Billing.

Mr. Arend reported that Mr. Reynolds met with our previous auditor, R.J. Riccardi, last week to discuss the FY2005-06 audit.

Mr. McDonald noted that there have also been some questions about the previous payments to R.J. Riccardi, which ended up totaling \$83,878.67, grossly exceeding the contract amount.

When the question as to who authorized these payments came up, Mr. Young stated that he asked Mr. Naffah, the previous City Manager, this very question and that his response was that there had been some discussions about the additional cost at an admin level, but it was a little bit foggy.

Mr. Arend reported that after looking at the contract, he noticed a disclaimer including additional services as needed. He also noted that when someone pays a bill it could be assumed that you are authorizing the additional services.

Mr. McDonald suggested that we could ask the previous auditor for a paper trail or proof that the additional services were approved, but we shouldn't expect much to come out of such an investigation after the fact.

Motion: A motion was made for staff to draft a letter to R.J Riccardi, as an investigation into seemingly unapproved expenses, for Chair Schellong to sign.

Motion approved 2-0.

2. FY2007-08 Financial Statements.

Chair Schellong noted that the Finance Department, in general, is overwhelmed from the clerk level to the Finance Director. She noted that the clerks have been working outside of their job descriptions and that she hopes to have a more organized system with better job descriptions to resolve this conflict.

Mr. McDonald suggested having the auditor prepare the FY2007-08 financial statements so that he can concentrate on the day-to-day operations, budget, and cleaning up the General Ledger.

Motion: Donald R. Reynolds, CPA creates FY2007-08 financial statements instead of Mr. McDonald.

Motion approved 2-0.

Adjournment

Next audit committee meeting is set for Thursday June 26th, at 12:00 pm.

Previously scheduled audit committee meeting set for Wednesday, June 11th is cancelled.

Meeting is adjourned at 11:48.