

**CITY OF CRESCENT CITY  
AUDIT COMMITTEE  
MINUTES**

**Audit Committee present:**

Kelly Schellong – chair  
Dennis Burns

**Audit Committee absent:**

Dianne Nickerson

**Staff Attending:**

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

**Wednesday February 20, 2008 12:01 p.m.**

Chair Schellong called the meeting to order at 12:01 p.m.

**Public Comment**

None.

**Reports**

Stan Arend noted that on February 8<sup>th</sup> he received a single proposal in response to the RFPs that were sent out to hire a new external auditor. He reported that he and the City Clerk opened the proposal to find that the firm of Don R. Reynolds, CPA had proposed \$14,000 for the first year of services, \$12,900 for the second year, and \$13,600 for the third year. The Audit Review Committee, consisting of Dennis Burns, Eli Naffah, and Stan Arend, evaluated the proposal and gave it a score of 17-18 out of 20. The committee followed up by interviewing an accountant from the firm on February 18<sup>th</sup>. The interview was successful and he was able to answer all of the questions that the committee had for the firm.

Chair Schellong expressed concern over the idea that the price quoted may not include an audit of RDA and Housing Authority funds. Mr. Arend responded by noting that RDA was included in the 14 part single audit, but it was recommended that there be a separate audit for the Housing Authority. In addition to this he noted that the firm also quoted a rate for additional services. Mr. Arend suggested getting a separate cost proposal that is itemized, to clarify all proposed fees. Chair Schellong asked for a timeline to hire the firm. Mr. Arend noted that he still needed to follow up with a reference check, but that we could potentially arrange for a meeting as soon as Monday or Tuesday with an itemized proposal.

Because the Don R Reynolds CPA firm seems to meet the expectations of the Audit Review Committee, Chair Schellong resolves to put an action item on the next Audit Committee Agenda to approve the hiring of this auditor contingent upon the reference check.

Chair Schellong asked Mr. Arend to explain to the rest of the committee, his ideas for the previous external auditor in relation to our current needs. Mr. Arend stated that he has budgeted for a consultant to help with creating a procedures manual to help rectify the issues that came up in the previous audit. Mr. Arend has suggested that the City consider getting a bid from our previous external auditor, RJ Riccardi, to do this job. This would not be a conflict of any kind considering the fact that this firm is no longer our external auditor. When Chair Schellong asked for feedback on this idea, Mr. Burns stated that he is not opposed to the idea.

### **Unfinished Business**

None.

### **New Business**

Chair Schellong makes a motion to approve the minutes from the January 15<sup>th</sup> meeting: 2-0 approved.

### **Reports, Concerns, Referrals**

Chair Schellong asked Mr. Arend how soon, upon hiring the new auditor, he could start working. Mr. Arend states that he would need two weeks notice, but that it could be as soon as the first week of April because the books will not be ready until the end of March. Chair Schellong expressed her concern over the idea that the 06/07 close will not be completed until then. She stated that she assumed that would have been done before the 07/08 budget revisions. Mr. Arend noted that the 07/08 budget revisions are independent of the 06/07 financials and that this was the timeline that had been previously agreed upon. Chair Schellong stated that she believed the 06/07 financials to be equally important as the budget revisions and asked Mr. Arend if he would like the committee to consider hiring out help to make it happen sooner. Mr. Arend stated that this would not be efficient. Mr. Naffah noted that the Reynolds firm has a lot of tax clients that will be tapering off by the time that we need his services in April, so this could actually work better with his timeline as well.

### **Public Comment**

Eileen Cooper asked if, when designing the budget, the City is looking at keeping the funds separate, including the corresponding capital improvement projects. This was something that came up when looking at prop 218. Chair Schellong stated that the Audit Committee does not have anything to do with the budget and that she should raise these kinds of questions at the budget workshop on Monday. Eileen noted that part of the Audit Committee's duties should be to ensure that structural elements are in place to provide accurate accounting. Mr. Arend noted that financial reporting does interface with the budget workshop and that it is important to build a foundation. He reported that the

chart of accounts is jumbled and that there were not yet capital project funds. However, he will propose separate capital project funds in the mid-year budget review.

Chair Schellong stated that she had complete faith in Mr. Arend, but that had been let down by previous Finance Directors. She stated that she would like to have an update on the issues matrix at the April 8<sup>th</sup> meeting. Mr. Arend stated that he would be focusing on internal controls in March and revenue management in April.

Next audit committee meeting is set for Wednesday February 27<sup>th</sup> at 12:00 pm

Meeting is adjourned at 12:38 pm.