

**CITY OF PLACENTIA  
FINANCIAL AUDIT OVERSIGHT COMMITTEE  
401 E CHAPMAN AVENUE  
PLACENTIA, CA 92870**

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## **SPECIAL MEETING AGENDA**

October 24, 2011 7:00 P.M.

**ROLL CALL** - Benuzzi, DeRose, Larson, McCallick, and Mooberry

**PUBLIC COMMENT**- The public is invited to address the Committee concerning any item on the agenda.

- 1. Approval of Minutes of the October 10, 2011 Financial Audit Committee Meeting**
- 2. Selection of Chairman and Vice-Chairman for the Financial Audit Oversight Committee**
- 3. Selection of Ad-Hoc Committee to review Preliminary Fiscal Year 2010-2011 Audit**
- 4. Selection of public meeting dates for Ad-Hoc Committee**

**COMMITTEE COMMENTS** -

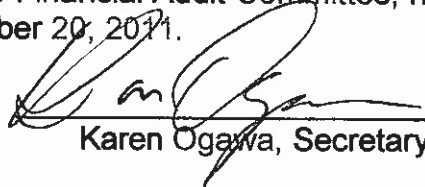
**STAFF COMMENTS** -

**ADJOURNMENT** - To the next regular meeting of the Financial Audit Oversight Committee on January 9, 2012 at 7:00 P.M.

"In compliance with the Americans With Disabilities act, if you need special assistance to participate in this meeting, please contact the Finance Department at (714) 993-8237 at least forty-eight (48) hours prior to the meeting to allow the City to make reasonable arrangements to ensure accessibility to this meeting."

**\*\*\*CERTIFICATION OF POSTING AGENDA\*\*\***

I, Karen Ogawa, Secretary to the Financial Audit Committee, hereby certify that the agenda for the meeting was posted on October 20, 2011.

  
Karen Ogawa, Secretary

CITY OF PLACENTIA  
FINANCIAL AUDIT OVERSIGHT COMMITTEE  
REGULAR MEETING MINUTES  
OCTOBER 10, 2011  
7:00 P.M. - ADMINISTRATION CONFERENCE ROOM  
401 E. CHAPMAN AVENUE, PLACENTIA, CA

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**CALL TO ORDER:** Director of Finance Karen Ogawa called the meeting to order at 7:08 p.m.

**ROLL CALL:**

Present: Committee Members DeRose, Larson, Mooberry  
Absent: Committee Members Benuzzi, McCallick

**PUBLIC COMMENT:**

Mayor Scott Nelson commented that as the Committee is aware the auditors are working on the audit and we are under time constraints due to the fact that the committee will not be selecting a Chairman and vice-chairman tonight and he urged the Committee to set a date for the next meeting very quickly; in a prior conversation with Mayor Nelson, Member Benuzzi stated that he would be available to meet on October 24<sup>th</sup>; we need to get the sub-committee formally set so that they can work with the auditors; technically our audit needs to be completed by November 28<sup>th</sup>. If, in fact, the Committee could decide on something sooner, but if not he urges the Committee to set the date of the next meeting to October 24<sup>th</sup> if that works for you and that's what Member Benuzzi had indicated would work for him.

Member DeRose inquired as to if we can do that now?

City Administrator Troy L. Butzlaff stated that the Committee can not choose a sub-committee because the item is not on the agenda and does not qualify for an urgency matter because we have already discussed this in the past, so we are going to have to have another meeting and formally agendize it for action to be taken.

Mayor Nelson commented that the Committee can do is, at the end of the meeting, request Staff to set the next meeting for October 24<sup>th</sup>, and he urged the Committee to do that so that we can get the sub-committee set and we can get it done properly.

Member Mooberry inquired as to whether the Committee should contact Member Benuzzi and have him request the meeting date.

City Administrator Butzlaff commented that yes Member Benuzzi has indicated that his earliest availability is October 24<sup>th</sup>.

Member Mooberry inquired as to whether he would be in violation of the Brown Act if he called Member Benuzzi and requested that he make October 24<sup>th</sup> the meeting date.

City Administrator Butzlaff commented that as long he does not discuss it with anybody in attendance tonight he would not be in violation. City Administrator Butzlaff then explained to Members DeRose and Larson that the prior sub-committee was to select our current auditors

and now a sub-committee is required to review the detail of the audit, work through certain comments, and present the findings back to the Financial Oversight Audit Committee, as a whole, for more discussion. We have had to do this because the sub-committee was never formalized or agendized by the Committee, so we had to disband it; this sub-committee would be the formal formation, by having it on the agenda, and having the Committee vote to its formation, and once it is formed then two members of the body will meet and will be subject to the Brown Act, just as the main body is. The sub-committee would have to have Minutes taken and Agendas posted; however, it provides for more flexibility because it is only two members, and they can meet as often as they need to, in order to go over the audit with the auditors and Staff. Again, because we are on a very tight time table, we need to take an action on this, in order to form a sub-committee as soon a possible, so that once the preliminary draft audit and financial statements are available, the sub-committee can review them and meet with the Financial Oversight Audit Committee, and then pass them back on to the auditors so that they can include them in their final audit report.

Mayor Nelson commented that it is easier to do it this way, because having the auditors present in front of a full Committee, all the time at an agendized meeting, is a little bit more difficult; this way the sub-committee can actually collect questions in a proper manner from the rest of the Committee and present them to the auditors. Then there will eventually be that last meeting with the auditors, where they will come in front of the full Committee.

Mayor Nelson commented that Member Mooberry has some points about the Brown Act, but we do want to err on the side of caution; if we are going to make an error let's make it so that nobody is going to get fined.

City Administrator Butzlaff informed the Members that now would be the appropriate time to select a temporary chairman to proceed over tonight's meeting.

**MOTION** by Member Larson to nominate Member Mooberry as the temporary Chairman to precede over the October 10, 2011 meeting of the Financial Audit Oversight Committee  
**SECOND** by Member DeRose, **MOTION CARRIED (3-0)**.

**STAFF PRESENT:** Director of Finance, Karen Ogawa; Finance Services Manager, Mike Nguyen; City Administrator, Troy L. Butzlaff; Mayor, Scott Nelson; Mayor Pro Tem, Jeremy Yamaguchi; Eric Hendrickson, Accountant; Teri Knutson, Accounting Technician.

#### **COMMENTS –**

**1. Approval of Minutes of April 11, 2011 –**

**MOTION** by Member DeRose to approve the amended minutes of April 11, 2011. **SECOND** by Member Larson **MOTIONED CARRIED (3-0)**.

**2. Approval of Minutes of June 8, 2011 –**

**MOTION** by Member DeRose to approve the amended minutes of June 8, 2011. **SECOND** by Member Mooberry **MOTIONED CARRIED (2-0)** (member Larson abstain).

### **3. Approval of Minutes of August 8, 2011 –**

Member Mooberry informed those in attendance that in reading the minutes, there is a comment that states the Committee's responsibility is for the internal audit. The City does not have an internal audit function so that statement does not make any sense.

City Administrator Butzlaff explained that the Financial Oversight Audit Committee's responsibility, per the City Council approved mission statement, is for the City's independent annual audit. It does not address anything about external agency audits like the one performed by the State Controller's Office.

Member Mooberry commented that he has the mission statement in front of him and it states that "the City's compliance with legal regulatory requirements and the qualifications and independence of the City's internal and external auditors and also the performance of those auditors." It doesn't say, related to the City. It says external auditors, and also "the performance of those auditors, additionally in performing its duties, the Financial Audit Oversight Committee will maintain an effective working relationship with the City Council, Management, Staff and the internal and external auditors"; it does not really define internal and external auditors.

Mayor Nelson requested that Member Mooberry read that part of the mission statement again.

Member Mooberry read the section again and stated that he thinks that staff is talking about the auditors that are hired by the City; the City doesn't hire the State auditors.

Mayor Nelson responded that is correct.

Member Mooberry commented that he now understood that portion of the mission statement, and that the Audit Committee is dealing with the auditors that are hired by the City.

Member Mooberry asked Director of Finance Ogawa when the Committee was going to get the financial statements, and that they were supposed to be receiving them quarterly.

Director of Finance Ogawa commented that the Committee was given the last quarter financial statements, but she would be glad to send them out again. She further indicated that when Staff submitted them to the City Council, copies were also sent to the Committee Members.

Member Larson stated that they had received the March 31<sup>st</sup> financials, but not the June financials.

Director of Finance Ogawa informed the Committee that there is no June financials because we are still in the audit and to present a preliminary document would not be appropriate.

She further indicated that if we had even one journal entry, it would change the whole presentation of the financials.

Member DeRose inquired as to when the Committee could expect the financials?

Director of Finance Ogawa commented that as soon as the audit is completed, or Staff believes it's near conclusion, and there will be no more changes by the auditors or Staff, City Staff will do a soft close and then Staff will be able to produce some financials.

**MOTION** by Member Larson to approve the amended minutes of August 8, 2011. **SECOND** by Member DeRose **MOTIONED CARRIED (3-0)**.

**4. Selection of Chairman and Vice-Chairman for the Financial Audit Oversight Committee –**

**MOTION** by Member DeRose to defer this item until the next meeting on October 24, 2011. **SECOND** by Member Larson **MOTIONED CARRIED (3-0)**.

**5. Update on the Fiscal Year 2008-09 and 2009-10 Corrective Action Plans for the Redevelopment Agency Financial Statements, Single Audit report and Managements Reports –** Director of Finance Ogawa reported that that there have been no changes from the last presented corrective plan. We do not have preliminary financials from Haskell & White and therefore Staff does not have a findings list to present or prepare for a corrective action plan.

**6. Status of Fiscal Year 2010-2011 Audit –** Director of Finance Ogawa reported that no changes have been discovered other than what was found in the preliminary review. The auditors have disclosed that we have a few items that will be part of the recommendations, we are beginning our third week of the field work and that should be the last week for the City's review. Nothing new has been brought to Staff's attention with regard to discoveries but, again, the field work has not been completed. After they conclude the City's review, they still need to audit the Redevelopment Agency, as well as conduct the Single Audit.

Member DeRose inquired as to if the audit was on schedule?

Director of Finance Ogawa reported that she believes that we are on schedule, per the Request for Proposal and agreement that the City entered into with Haskell & White. It states that the City was going to provide the audit schedule and our books would be closed on October 17<sup>th</sup>. Staff actually closed the books two to three weeks earlier, and began the audit on September 26<sup>th</sup>. Per the schedule of the contract, the Preliminary Financial Reports are due to the City for deliverables on November 14<sup>th</sup>, and then the final bound copy of the Financial Reports is November 28<sup>th</sup>.

Member Larson inquired as to if everything that Haskell & White needs to complete their field work has been given to them?

Director of Finance Ogawa commented that everything was given to them in electronic form so that Staff would not have to keep pulling the same documents for them and the auditors can attach the supporting documents to any of their findings.

#### **COMMITTEE COMMENTS:**

Member Mooberry commented that it looks like the audit is going a lot smoother than years' past, it remains to be seen until the end, but it looks like it is going on pretty good. Member Mooberry inquired as to if the Committee was going to receive a draft audit report.

Director of Finance Ogawa responded that the document Member Mooberry is referring to is the Management Letter that outlines some of our internal control weaknesses as well as the Single Audit report that will outline some other internal control issues, if there are any, as well as the Redevelopment Agency.

Member Larson inquired as to the status of last year's Management Letter. Have all the findings been satisfied.

Director of Finance Ogawa confirmed that all the findings have been satisfied.

Member DeRose requested that Staff schedule a new Financial Audit Oversight Committee meeting on October 24, 2011 to select a Chairman and Vice-Chairman for the Financial Audit Oversight Committee and to form a sub-committee to review audits so we can review the draft financials.

Member Larson inquired as to whether this was an additional meeting and does not take the place of the next meeting in January.

City Administrator Butzlaff commented that the Financial Oversight Audit Committee is only directed by City Council to meet on the second Monday at the start of every quarter; this is the formal schedule, however, if the committee needs to meet more frequently, that is up to the Committee Members.

Member Mooberry commented that the Committee is probably going to have to meet more frequently until the audit is complete.

City Administrator Butzlaff agreed and commented that the purpose of forming the sub-committee is to allow them to meet even more frequently than the normal Committee would meet so that they can go through this process relatively quickly, so that they can come back and meet with the full Committee, in order to keep on schedule with the audit. It is likely there will have to be a meeting in November, as a full Committee, again to go over the sub-committee's findings and recommendations.

Mayor Nelson commented that, more importantly, the City wants to try and retain that transparency that we have attempted to bring here and the sub-committee formation is needed, to make sure that they work with the external auditors. We don't want to circumvent that, however, we are on a very tight time schedule.

City Administrator Butzlaff informed the Committee that they have less than a month for overall review. The review period for when the draft financial statements are due, and when they are due back so that the auditors can do their final quality assurance/quality control before they produce the final Statements, is only one week. To maintain schedule in this relatively quick turnaround, Staff believes that having the sub-committee meet more frequently is necessary; to go through that will be very helpful in achieving those deadlines.

Mayor Nelson commented that if there is a date for the Management Letter to come out, which the external auditors do, and it goes past that date, you start to have an issue with credibility with the financials for the City; we want to get it out and done so that if there are issues, we can come back and look at them. We have come a long way in re-establishing the financial credibility of the City of Placentia, and we would like to keep it going, that's why there is urgency on this.

Member Larson inquired as to when the November City Council meeting was.

City Administrator Butzlaff commented that the City Council probably won't be able to meet the November meeting for adoption; it will most likely be the first meeting in December. However, if there is a need to have a second meeting to formally approve the audit so it is adopted prior to year end, it would tentatively be on the December 6<sup>th</sup> meeting. We estimate the City will receive the preliminary draft financial statements within the next two weeks so that falls within the next Financial Oversight Audit Committee meeting on October 24<sup>th</sup>. A sub-committee can be appointed and the sub-committee can meet within that same week or the following week, to review and approve the preliminary draft financial statements. It then goes back to the auditors, and the auditors then do their quality assurance/quality control and then they present their final draft. Staff would need the Financial Oversight Audit Committee to get together again around October 20<sup>th</sup>, when the City receives the final audit, and the first meeting in December when the City Council would potentially take action. If this committee completes its work by November 28<sup>th</sup> that would allow staff enough time to get it on the December 6 agenda for the City Council. Staff is working on a schedule with tentative meeting dates and that we need to take action on this, so we will add that to the list of dates.

Director of Finance Ogawa stated that she is trying to work with Haskell & White to give Staff some firm dates as to when the deliverables will be ready and when the draft financials will be completed; the draft financials are the final document before they are actually bound. We are hoping that it will be the week of November 21<sup>st</sup> or at the very latest November 28<sup>th</sup>. She further indicated that if possible, Staff will try and push it up a week due to the holiday.

Mayor Nelson advised the Committee to try and pick two members who have the ability to be on the sub-committee or that are a little bit flexible, Director of Finance Ogawa will try and get the anticipated dates to see if the sub-committee can work those in to their respective

schedules, and he encouraged the Committee to choose its sub-committee accordingly. It is his firm commitment to have the sub-committee involved.

City Administrator Butzlaff informed the Committee that in the past the sub-committee meets every so often with the auditors and Staff over the course of several weeks and then they refined their comments and questions to the audit firm. Ultimately, that was all channeled/funneled up to the entire Committee where it was discussed once again with the auditors and then recommendations are made to proceed; that probably took over about three weeks processing. He sees a need to shorten that considerably; we now need to crunch it down into a week's time or less.

Mayor Nelson reminded the Members that there were fifteen material weakness findings last year, the interim audit has indicated that we are down to three and those might not even be findings, but recommendations as part of the Management Letter. We are hoping that it's smoother this year and that all those questions can be answered prior to that, but we certainly want the questions; Council is expecting the Committee to find things that it might not see.

City Administrator Butzlaff reminded the Committee that, because there is a requirement to follow the Brown Act with regards to the sub-committee, it will likely add time because of the requirement to have printed agendas posted 72 hours in advance of the meeting. Lead time is necessary to schedule meetings, unless they continue the meeting to the following day. The Committee would basically need to have the meeting and decide that same day that they are going to continue into the next day at a time certain. In that situation, Staff can post a special notice to inform the public that the sub-committee is meeting again. He further indicated that while we need to move quickly, we must work within the provisions of the Brown Act.

Member Larson inquired as to whether the sub-committee could just block out a number of meeting dates? He further inquired whether it is easier to cancel a meeting than to add a meeting within the 72 hour time frame.

City Administrator Butzlaff commented that, yes, it is because if you provide adequate notice, you can have those meetings and that may be a smart tactic.

**STAFF COMMENTS:** None

**ADJOURNMENT: MOTION** by Member Mooberry to adjourn to a special meeting on Monday, October 24, 2011 at 7:00 p.m., **SECONDED** by Member Larson **MOTION CARRIED (3-0)**.