

**PLACENTIA CITY COUNCIL
FINANCIAL AUDIT OVERSIGHT COMMITTEE
JOINT STUDY SESSION MINUTES
May 7, 2012
6:00 p.m. – City Council Chambers
401 E. Chapman Avenue, Placentia, CA**

CALL TO ORDER: Mayor Yamaguchi called the meeting to order at 6:10 p.m.

ROLL CALL:

PRESENT: Council/Agency Members Nelson, Wanke, Yamaguchi
AOC Committee Members Benuzzi, DeRose, Larson, McCallick

ABSENT: Council/Agency Members Underhill
AOC Committee Member Moobery

Councilmember Aguirre arrived at 6:40 p.m.

STAFF PRESENT: City Administrator/Executive Director, Troy L. Butzlaff; Assistant City Administrator, Ken Domer; Director of Administrative and Community Services, Steve Pischel; Director of Finance, Karen Ogawa; Deputy Police Chief, Ward Smith; Finance Services Manager, Michael Nguyen; Accounting Technician, Terri Knutson; Accountant, Erick Hendrickson; City Clerk, Patrick Melia; Deputy City Clerk, Tania Moreno

I. Opening Remarks Jeremy Yamaguchi,
Mayor
Purpose of Meeting/Meeting Format

Mayor Yamaguchi welcomed City Council, AOC Committee Members, and Staff to the meeting.

II. Presentation on Comprehensive Annual Financial Report and Single Audit Report for Fiscal Year 2010-2011 Haskell & White, LLP
Auditors

Auditor Principal Gundersen provided a brief PowerPoint Presentation with the following slides: Report to the City Council and Financial Audit Oversight Committee for the Year Ended June 30, 2011, Governance Communications, Consideration of Internal Control, Internal Control Deficiency, Material Weaknesses, and Significant Deficiencies.

Mayor Pro Tem Wanke inquired about material weaknesses and significant deficiencies.

Auditor Principal Gundersen provided a brief explanation about the differences in a material weaknesses and significant deficiency.

Mayor Yamaguchi inquired about the reoccurrence of material weaknesses.

Auditor Principal Gundersen noted that material weaknesses setback the audit process. He noted that the Annual Financial Report was filed by the deadline.

Mayor Yamaguchi inquired about the issue of addressing material weaknesses.

Auditor Principal Gundersen noted that material weaknesses should be addressed in the correctional action plan. He noted that the Ad-Hoc Committee and the Audit Financial Committee should work with Staff to address the issues.

Mayor Pro Tem Wanke inquired about the submittal of Financial Statements.

- | Auditor Principal Gundersen noted that Staff and the City Treasurer seem to be working together on the Financial Statements.

- | City Treasurer Green noted that he had a conversation with the Auditors. He noted that he is working with Staff to improve the Financial Statements. He handed material to City Council on the progress of the Financial Statements.

Councilmember Nelson inquired about the holding up of the Financial Statements.

City Treasurer Green expressed his concerns regarding the negative balances on the Financial Statements.

Mayor Pro Tem Wanke inquired about the process of the Correctional Plan.

- | Auditor Principal Gundersen noted that the Financial Report was filed on time with accurate information. He noted that the Treasurers Report should be submitted to the City Council on time.

Mayor Pro Tem Wanke inquired about the supporting documentation for the older accounts.

- | Auditor Principal Gundersen noted that some of the accounts are old and it is difficult to research. He recommended establishing a stronger year-end close process.

Councilmember Nelson inquired about the BiTech System.

- | Auditor Principal Gundersen noted recommended that the City uses other modules of BiTech System and that additional training is provided to Staff. He recommended the use of a system to have control on capital assets.

- | Auditor Pun recommended addressing the scheduling of expenditures.

- | Auditor Principal Gundersen noted that importance of visiting safe guarding of cash procedures. He noted that seven weaknesses from last year were remediated. He noted that the City has sufficient number of employees in place and it's a matter of providing training. He recommended providing training and support to Staff.

Councilmember Aguirre inquired about the type of support.

- | Auditor Principal Gundersen noted the importance of providing training and software.

Mayor Yamaguchi inquired about the number of staffing.

- | Auditor Principal Gundersen noted the need to provide training to the current Staff and the evaluation of the current software modules.

Mayor Yamaguchi invited the Audit Oversight Committee members to provide their comments.

Chairperson Benuzzi thanked the AOC members for their hard work. He noted that the Financial Report was submitted on time. He noted that this year moving forward the

committee wishes to be more involved with the initial steps. He recommended creating a timeline to have everything done by the end of November.

Councilmember Nelson thanked the Audit Oversight Committee for their hard work.

Chairperson Benuzzi thanked Staff for their hard work and patience. He recommended that the draft agenda is monitored by the Mayor.

Mayor Pro Tem Wanke inquired about the role played by the Audit Oversight Board.

- | Auditor Principal Gundersen noted that usually auditors interact with the Audit Oversight Board to address issues. He noted that all issues will be address during a public meeting.

Mayor Yamaguchi inquired about federal expenses classified as significant deficiencies.

- | Auditor Principal Gundersen noted that

- | Auditor Principal Gundersen recommended hiring a consultant to train Staff on financial statement year close. He noted that it takes time to resolve the issues.

Mayor Pro Tem Wanke inquired if an internal control audit would help.

- | Auditor Principal Gundersen recommended hiring an outside consulting firm.

III. Review of Corrective Active Plan for Fiscal Year 2010-2011

City Administrator Butzlaff provided a brief introduction of item III.

Director of Finance Ogawa provided a review of the Corrective Active Plan for Fiscal Year 2010-2011. She noted that a consulting firm will be assisting the Finance Department to address the internal controls findings.

City Administrator Butzlaff noted that the Audit Oversight Committee agreed to hiring the consulting firm.

Director of Finance Ogawa noted that Staff is working with the City Treasurer on the Treasurer's Report for January, February and March.

City Treasurer Green noted that he would like to assure as little negative impact on the general fund as possible.

Director of Finance Ogawa noted that Staff has reviewed old accounts and supporting documentation. She noted that each account was reviewed individually. She noted that Staff will be provided training on Bitech System. She noted that there are current capital asset policies in place.

Mayor Pro Tem Wanke inquired about the issue of capital asset policies.

Director of Finance Ogawa noted that the inventory list is accurate. She noted that capital asset policies will be reviewed. She noted that internal controls will be fine-tuning spreadsheets. She noted that bonds are not issued frequently. She noted that safe guarding of cash process has been put in place. She noted that checks are handled with Bank of America electronically.

Mayor Yamaguchi inquired about the comprehensive check list.

Director of Finance Ogawa noted that Pun and Magidy was hired to assist with the comprehensive check list.

Mayor Yamaguchi inquired about the request made by the AOC to create a timeline for the audit process.

- | Director of Finance Ogawa noted that Staffing is adequate and that the City will be contracting Pun & McGeady LLP to assist in the process. She noted that the firm would assist with the internal control.

Councilmember Nelson inquired about the issues that are more difficult to address.

- | Director of Finance Ogawa noted that the largest issues are internal control and strengthening the year-end closing process. She noted that researching for documentation is complicated.

Mayor Pro Tem Wanke inquired about the delays in the audit and the issue of addressing the findings.

Director of Finance Ogawa noted that the findings are different every year. She noted that the firm will be assessing all areas of concern. She noted that the department has adequate staffing.

- | Chairperson Benuzzi noted that the AOC supports the contracting of Pun & McGeady LLP. He noted that the firm will be addressing all internal control processes. He suggested that the AOC receives all finding reports. He recommended that in the future an Internal Auditor that reports to Council is hired.
- | Auditor Principal Gundersen noted that in a City of this size is not common to hire an internal auditor. He noted that in the future a part time internal auditor is recommended. He noted that Haskell & White has no interest in the hiring of Pun and Magiddy. He noted that the comprehensive checklist is important. He recommended training in the implementation of the comprehensive checklist. He recommended the hiring of outside firms to examine big transactions. He recommended hiring an expert in IT areas and Bitech.

AOC member McCallick noted that the Audit Oversight Committee is modeled after the Secure and Exchange Commission. He noted that the AOC is a committee of experts. He recommended visiting the issue of the Brown Act in relation to the AOC. He recommended the need for the AOC to set their agenda.

AOC Member DeRose noted that process is being made.

AOC Member Larson commended Director of Finance Ogawa for her work. He recommended a quarterly feedback to the AOC from the Finance Department.

IV. Oral Communications/Public Comments and Questions

None

V. Closing Remarks
Yamaguchi,

Mayor

Jeremy

Comments and Reports:

Councilmember Nelson thanked everyone for their hard work. He noted that he would like the issues to reduce by next year. He noted that meetings are public and should remain public. He noted that committees should operate in public.

- Councilmember Aguirre thanked everyone involved. He noted that the AOC is necessary. He noted that he supports the idea of AOC members having more input in creating agendas, but meetings should be kept public. He noted that he would like to hear the input from the AOC in a few months a type of progress report.

Mayor Pro Tem Wanke supports the idea of quarterly progress reports from Staff. He noted that accountability is important. He requested a second Brown Act opinion. He asked for a review of the Audit Oversight Committee and agenda preparation process.

City Administrator Butzlaff recommended a memorandum pertaining to the Audit Oversight Committee and their agenda preparation process. He recommended reviewing the current Audit Oversight Committee mission.

Mayor Pro Tem Wanke requested reviewing the current AOC mission.

Councilmember Nelson noted that a second opinion on the Brown Act and research on other cities.

Mayor Pro Tem wanke first bring the Brown Act and them visit the mission statement.

Mayor Yamaguchi thanked everyone for attending the meeting.

ADJOURNMENT:

The City Council adjourned to the next regular meeting on May 15, 2012.

The Financial Audit Oversight Committee adjourned to the next regular meeting on July 9, 2012.

JEREMY B. YAMAGUCHI
MAYOR/AGENCY CHAIR

ATTEST:

PATRICK J. MELIA, CITY CLERK/AGENCY
SECRETARY