Minutes of Audit Committee Regular Meeting of March 13, 2015
One Twin Pines Lane

REGULAR MEETING, City Hall, Suite 360
CALL TO ORDER 11:04 A.M.

ROLL CALL
COMMITTEE MEMBERS PRESENT: Violet, Reed, Lieberman
STAFF PRESENT: Finance Director Fil, Deputy Finance Director Lazzari, City Manager Scoles, Management Analyst Voelker
OTHERS PRESENT: Mark Wong, Principal, Maze & Associates (Invited); Grace Zhang, Maze & Associates (Invited)

CONSENT CALENDAR

ACTION: Moved by Committee Member Reed, seconded by Chair Violet, the October 6th minutes were noted and filed.

OTHER BUSINESS

FY 15 Audit Plan
Mr. Wong from Maze & Associates, the City's independent audit firm, presented on the FY 2015 Audit Plan. He noted that the interim audit has been completed, and his team of auditors will be back for two weeks in August for the final audit. He briefly reviewed the tests and assessments that are planned for the FY 2015 audit, noting that this is the first year of GASB 68 implementation (reporting of CalPERS net pension liabilities) for all cities, which will be a big item that will take a great deal of time and attention. Mr. Wong explained that CalPERS estimates they will begin issuing the required calculation data sometime in June. Once the data is received, the City must still test the accuracy of the data, and the auditors will also perform their testing.

Committee Member Lieberman inquired as to how this will impact the timing of the City's CAFR publication. Director Fil responded that the auditors cannot complete their field work until the data has been provided by CalPERS; as such, the timing of both the City's Comprehensive Annual Financial Report (CAFR) and the Belmont-San Carlos Fire Department financial statements will be affected. He projected that it's very unlikely the City will be able to issue the CAFR in October, as has been the custom; it could be as late as a December 31st publication. Committee Member Lieberman noted that staff should alert the Council of the delayed schedule. Discussion ensued on the City's plan to accommodate the implications of the GASB 68 implementation, as many of them could be ongoing.

Committee Member Lieberman acknowledged the City's outstanding Finance Department and Director for staying atop these issues and keeping the City as prepared as possible.

Director Fil advised the Committee that the impending requirement to record retirement benefits (OPEB) as liabilities on the City's books is another wave of accounting changes that will affect the City's audit in the future. Discussion ensued.

Mr. Wong continued his presentation and provided the results of the interim audit. He briefly discussed internal controls and recommendations issued by the audit team, such as periodic reviews of payroll database changes, as well as a master vendor database for accounts payable. He also mentioned that the audit team examined Permit Center and Cashier procedures, and issued a suggestion that all checks received be endorsed immediately in order to improve internal controls.

Ms. Zhang noted that the City had a very good year and noted that the audit team has been spending less time on gathering data, as the Finance Department provides very organized data quickly and efficiently.

Director Fil provided a brief status update on Finance Department operations. Of note, Director Fil stated that staff is working towards re-establishing a full-time presence at the Cashier position, which is currently scheduled at half day. He also mentioned that all four major operations of the Finance Department (Accounts Payable, Accounts Receivable, Payroll, and Accounting) are moving toward a more electronic environment, as nearly 50% of all vendor payments are now electronic, the City's master vendor list is now interfaced with the financial system, and the Department has achieved 100% electronic payroll issuance. This allows staff more time to spend reviewing and analyzing data results. Chair Violet also expressed thanks to the Department for these successes, as well as accelerating the issuance of Treasurer's Reports to one month in arears.

Annual Audit Committee Reorganization

Committee Member Lieberman moved to nominate Committee Member Reed as the Vice-Chair. The motion was seconded by Chair Lieberman, and by unanimous voice vote, Committee Member Reed was appointed as Vice Chair of the Audit Committee.

Discussion of New Audit Committee Responsibilities

Director Fil referenced the recent changes made by Council to expand the Audit Committee's role. He reviewed the Committee's new responsibilities; including review of the monthly financial statements, whistleblowing for potential fraud, and participation in the annual Budget review. Discussion ensued. Chair Violet noted that potential fraud should be reported directly to the City Attorney, and the Committee should ensure that all employees and the public are aware of the City's official whistleblowing procedure. Committee Member Lieberman suggested that it be included as an item on a future Council agenda and that the City Attorney should review the procedure in its entirety. Director Fil noted that staff will follow up with the City Attorney.

FY 2016 Budget Update

Deputy Director Lazzari noted that staff completed the Mid-Year Review in February and strategic planning for the FY16 budget will begin next week at Council's Priority Workshop on March 18th. Discussion ensued on how strategic planning ties into the City's budget process. Deputy Director Lazzari reviewed the overall budget process, timeline and calendar.

COMMITTEE UPDATES AND STAFF ITEMS

Meeting Calendar

The Committee confirmed that the next scheduled meeting should take place in early May in order to begin reviewing the FY16 Budget, time and date to be determined.

Tim Strinden, Belmont resident, commented on CalPERS as it related to the City's adjusted CAFR schedule. He also suggested that the Committee consider videotaping or audio recording these meetings. Chair Violet responded that the Committee will take it under consideration and will have to evaluate the cost benefit of televising the Audit Committee meetings. Director Fil added that minutes of the meetings are available on the City's website.

ADJOURNMENT 12:12 p.m.

Thomas Fil
Finance Director