



Town of Atherton
SPECIAL FINANCE COMMITTEE
DRAFT MINUTES
August 20, 2014
2:00 PM
TOWN COUNCIL CHAMBERS
94 Ashfield Road
Atherton, California

PLEASE NOTE: *Times listed on the Agenda are approximate; items may be taken up out of order.*

1. ROLL CALL

Cary Wiest, Rick DeGolia, Alain Enthoven, Jim Massey, Diane Beymer-Sandhu, Bob Polito, Jeffrey Lee

Present: Mayor Wiest, Vice Mayor DeGolia, Mr. Bob Polito, Mr. Jim Massey, Mr. Enthoven, Diane Sandhu- Beymur, Mr. Jeffrey Lee

2. PUBLIC COMMENT

(Limited only to items on the Agenda)

REGULAR AGENDA

- 3. Discussion of the Fiscal Year 2013-2014 Audit – Preliminary Audit & Scope – Katherine Yuen, Auditor, Maze & Associates.**
Audit engagement partner Katherine Yuen and Audit Manager Grace Zhang were present to communicate the auditor's responsibilities under generally accepted auditing standards, the planned scope, timing, independence, and process of the audit. The auditor also discuss if there are any new governmental accounting standards statements that need to be implemented. Katherine Yuen explained that the auditor was present to communicate the SAS 114 memo, which is normal a communication that auditors are required to communicate with those in charge of government, which would be the City Council. They are here to update the Finance Committee on the Interim Audit Phase, process, scope and audit timing. Part of the audit process includes Auditor's responsibilities under U.S. Generally Accepted Auditing Standards, concept of materiality in planning and executing the audit, audit scope and timing, management representations, and fraud considerations. Audit Manager Grace Zhang explained their responsibility under Generally Accepted Auditing Standards, is to express an opinion about whether the financial statements prepared by management with Council oversight are fairly presented, in all material respects. Also their

responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of the audit they consider the Town's internal controls and use as purpose of determining their audit procedures. They are responsible to communicate significant matters but not required to design procedures for internal control. The concept of materiality was discussed and factors considered are components of the financial statements, materials to be most critical and to the extent of adjustments if needed and extent of adjustments affects to prior year financial statements. Grace Zhang continued to discuss the Audit Scope for the Town audit. It generally includes the following items; Perform risk assessment brainstorming and planning, create audit plan tailored to the Town and sector, transactions cycles subject to control testing and sampling such as revenues/receivables, disbursements/accounts payable, payroll and accrued liabilities, as well as Measure A. The audit scope then includes transactions cycles testing: Disbursements, receipts, payroll, cash and investments. Claims payable for liabilities are tested and IT specialist performs informational system control. Transactions and balances tested in total such as cash bank reconciliations, capital assets, claims payable, test for compliance with government codes, test Town policies such as purchasing policies, investment policies, and any Single Audit for Federal Grants if necessary. The timing of the Audit is done in two phases; interim field work took place first week of June 2014 and the final audit field work will take place first week of November 2014. The auditor discussed the management representations at end of audit, it requests from Town management that data and assertions provided for the audit are complete and accurate but mentioned they primarily rely on audit verification tests and procedures throughout the audit. The audit manager mentioned that fraud is taken into consideration when preparing the financial statements. Fraud is considered to be an intentional act that results in a material misstatement in financial statements that are subject to audit. There are two concepts with fraud consideration; fraudulent financial reporting and misappropriations of assets. The auditor made inquiries to the committee if they have any knowledge of any fraud or suspect fraud. The committee answered no. Auditor asked if there were any areas they believe susceptible to fraud. Some of committee members answered yes. Vice Chair Mr. Massey proceeded to ask about four questions/items of interest. One of the items was credit cards and if a policy is still in place and how many credit cards are assigned. The other item discussed was asset trail of fixed assets and disposal of assets. Purchasing policy is it still in place? Staff confirmed it is in place and the auditor replied when they do testing they test against the policy and fixed assets. Committee member Mrs. Sandhu asked what is the percentage of testing the auditors do? The auditors replied it is relation to the size of the funds and that there is no percentage but they do testing on various transaction amounts and also document and track so as to continue to do further testing on transactions and new transactions in the next audit. Mr. Massey fourth item was in relation to the park and accounting controls in place at the park for bookings and taking in cash. The auditor will look into the park procedures at final audit. Committee member Mr. Enthoven asked about wanting to know pension calculation. Auditor discussed that GASB 68 will begin in FY 2015 and a new actuary will be out reflecting pension calculation as of June 30, 2013 later this year. He also wanted to know Post retirement liabilities. Staff will present retirement and OPEB liabilities at a later meeting.

4. **Next Meeting Date, Future Agenda Items and Time-September 9, 2014**
5. **Adjourn** Vice Chair Mr. Massey motioned to adjourn. Member Mr. Lee second the motion. All in Favor. Adjourned 3:05 pm.

☞ Please contact the City Clerk's office at (650) 752-0500 with any questions

Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the Park Program Manager at (650) 752-0534. Notification of 48 hours prior to the meeting will enable the Town to make reasonable arrangements to ensure accessibility to this meeting. (29 CRF 35.104 ADA Title II)

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