

LCOG Audit Committee Meeting

DATE: Tuesday, November 12th, 2019

TIME: 5:30 p.m.

LOCATION: Lane Council of Governments, Park Place Building, 5th floor, 859 Willamette St.,
Suite 500, Eugene, OR 97401

CONTACT: Brenda Wilson, (541) 682-4395, bwilson@lcog.org

1. Agenda: November 12, 2019

Documents:

[AC AGENDA NOV.PDF](#)

2. Attachment 1: Notes From October 17th Audit Committee Meeting

Documents:

[ATTACH 1 NOTES OF OCT 17.PDF](#)

3. Complete Packet

Documents:

[COMPLETE PACKET.PDF](#)



AUDIT COMMITTEE MEETING AGENDA

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1. Auditor will provide Committee with the draft Financial Statements.
2. Audit Committee will have the opportunity to talk to the Fiscal Unit Manager and the Senior Finance Analyst separately.

NOTE: The Auditor will present his FY19 report to the Board on December 12.

Attachment 1: Notes from October Audit Committee meeting.

AUDIT COMMITTEE MEETING NOTES

Date: Tuesday, October 8, 2019
Time: 5:30 p.m.
Location: Lane Council of Governments
Park Place Building, 859 Willamette, 5th Floor, Eugene

Conversation with Auditor.

Auditor provided the Committee with a progress report on the current audit. Present were Greg James, Audit Committee Chair; Sherry Duerst- Higgins, LCOG Board Chair; and Mary Walston, LCOG Board Vice-Chair. Gatlin Hawkins, auditor; Brenda Wilson, LCOG executive Director; Keina Wolf, Fiscal Unit Manager; and David Joyal, Senior Financial Analyst.

Greg convened the meeting. Gatlin stated the audit was going well. Greg asked if a fraud questionnaire had gone out and Gatlin replied that they had sent out a fraud questionnaire and there were no concerns.

Greg asked if there were any surprises, and Gatlin responded that they found a few issues that didn't appear to meet expectations, but after talking with staff, they were satisfied that there were no issues because of the uniqueness of the transactions.

Greg asked if the auditors had full access to the fiscal system and Gatlin said that while accessing the Accounts Receivable aging report was cumbersome to deal with, that was not unique to our system.

Sherry expressed her appreciation that the audit firm was local and they were able to talk to the auditor in person.

Gatlin then reviewed the FY19 audit work.

Audit procedures performed:

- Inquiries with management and staff. No concerns were raised.
- Risk assessment at the entry level, fund level, balance level, and a certain level. These are the areas with the highest risk. They are looking for large fluctuations, and significant changes. No concerns here.

- Review of IT policies, procedures, and internal controls, such as backups and access. Everything looked good.
- Evaluation of design and implementation of internal controls over main transaction cycles such as cash disbursement, payroll, etc. They looked at how things were working and whether LCOG was actually using internal controls and everything looked good.
- Testing of the operating effectiveness of internal controls where we relied on LCOG's performance of those controls. In other words looking at the whether controls are working as planned, like payroll.
- Analytical review of account balances, and transactions cycles like payroll.
- Testing of specific attributes for homogeneous transactions.
- Testing of substantive details of transactions use statistically valid sampling methods, such as re-calculating payroll to test.
- Review of yearend journal entries, adjusting entries, and manual accruals.
- Everything looked good. There were no surprises. They found some unique transactions that raised questions, but after investigating further, found those were all good.

Gatlin said they looked at credit card usage per the request of the Audit Committee. Gatlin responded those were good; they did not see any purchases that exceeded limits or any strange charges.

Compliance testing performed. While the testing and review processes listed above looks at errors and determines if it is material or not – i.e. a \$5.00 error is not material; whereas in Compliance Testing, its either in compliance or it is not.

- Minimum standards for audits of Oregon municipal corporations:
 - FY19 budget and appropriations – They look at all required procedures, like if Budget officers were chosen correctly, were notices properly published, etc. They found no issues.
 - Procurement – They look at whether rules were followed, etc. No issues.
 - Collateralized and insured bank deposits, they found an issue here which they will flag. LCOG transferred \$85,000 to a SELCO account which exceeded the \$250,000 insurance limits by about \$40,000. So the auditor will report this in the Financial Statements. LCOG staff are aware of this and have implemented controls to make sure this does not happen again.

- Single audit of federal awards according to 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards:
 - Risk based program assessment.
 - Indirect costs and allocations.
 - Major program –
 - ✓ Adult nutrition cluster (senior connections and senior meals)
 - ✓ Allowable costs and activities – as required under USDA, for instance.
 - ✓ Matching funds and earmarking.
 - ✓ Program income.
 - ✓ Sub recipient monitoring (Food for Lane County)

Findings:

The auditor followed up on FY18 findings related to debt payments - all payments were made as agreed in FY19.

FY19 new finding – balances exceeded federal insurance coverage of \$250,000 at a financial institution not participating in the public funds collateralization program, which is a violation of ORS295.002. Again, staff have implemented internal controls to make sure this does not happen again.

The Committee noted their appreciation of the very thorough overview of a lot of information.



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