



SPECIAL MEETING MINUTES

Date: 11/28/2017
Time: 2:00 p.m.
Administration Building – Sharon Heights
701 Laurel St., Menlo Park, CA 94025

A. Committee Chair Craib called the meeting to order at 2:04 p.m.

B. Roll Call

Present: Craib, Tronson, Shepherd, Ohtaki (arrived at 2:12 p.m.)
Absent: Cline
Staff: Nick Pegueros, Administrative Services Director
Dan Jacobson, Interim Finance and Budget Manager
Brandon Cortez, Management Analyst I

C. Public Comment

- Stu Soffer spoke in favor of retaining two councilmembers on the committee and posting monthly financial reports.

D. Regular Business

D1. Approve the minutes of the September 18, 2017, Finance and Audit Committee Special Meeting (Attachment)

ACTION: Motion and second (Craib/Shepherd) to approve minutes for the September 18, 2017, Finance and Audit Committee Special Meeting, passed 3-0-2 (Ohtaki and Cline absent).

D2. Presentation from Badawi & Associates Certified Public Accountants on their annual independent audit of the City of Menlo Park for the fiscal year ended June 30, 2017

Committee member Ohtaki joined the meeting at 2:12 p.m.

Ahmed Badawi provided a presentation (attachment).

This was an informational presentation, no action was taken.

D3. Review and discuss the Committee Charter (Staff Report #17-005-FA)

- Lynn Bramlett spoke in favor of creating a strategic plan for committees/commissions.

Committee members discussed the purpose of the committee and requested an item on the next meeting agenda to approve a regular meeting schedule for 2018.

D4. Review and comment on the draft award authority and bid requirements (Staff Report #17-006-FA)

This item was not heard and will be brought back on a future agenda.

E. Adjournment

Chair Craib adjourned the meeting at 4:10 p.m.

Draft minutes prepared by Brandon J. Cortez.

City of Menlo Park

Presentation to The Audit Committee

November 28, 2017

**Presented by: Ahmed Badawi, CPA
Partner**



Badawi & Associates
Audit of the
City of Menlo Park

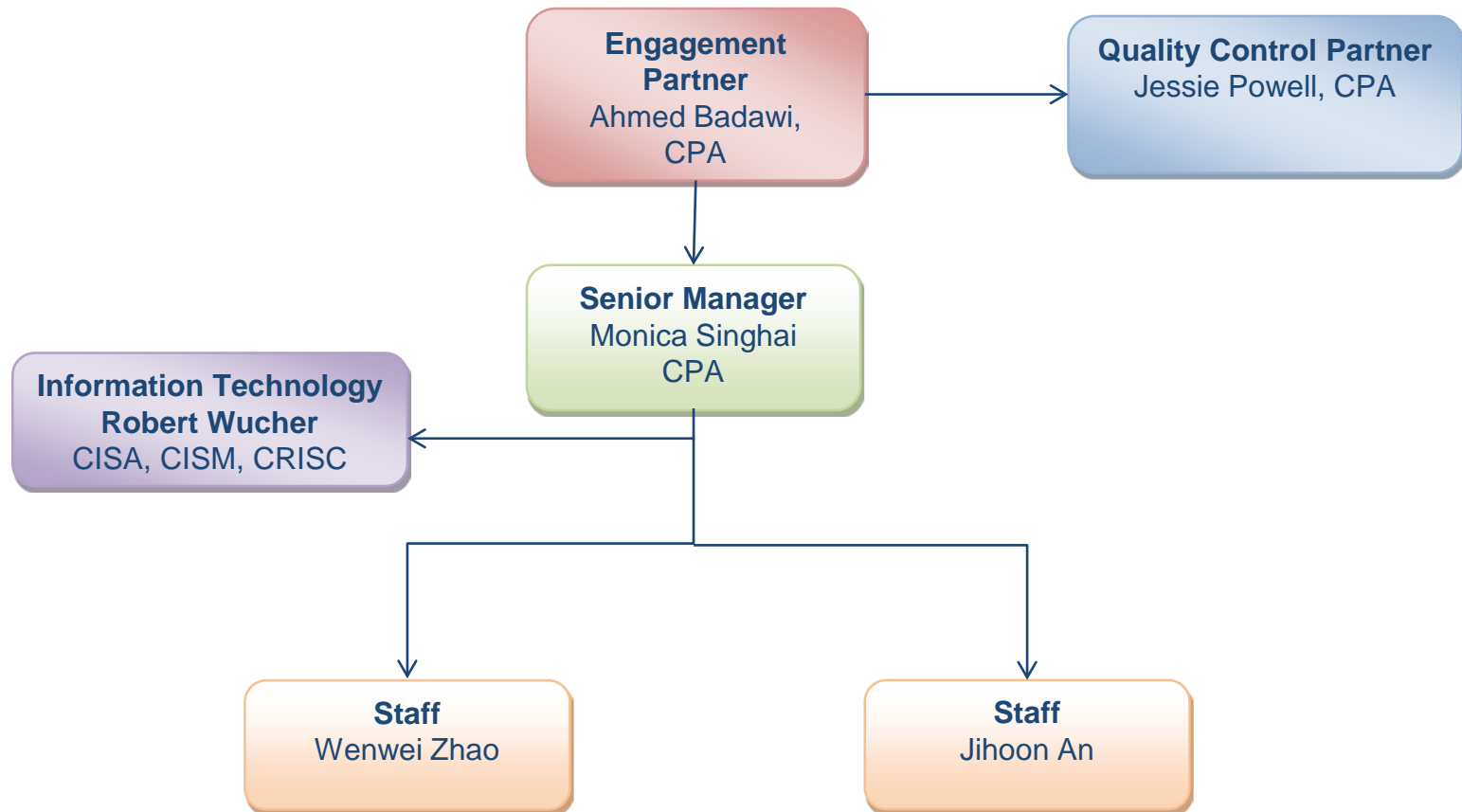
Agenda

- Engagement Team
- Deliverables and Scope of the Audit
- Areas of Primary Emphasis
- Required Communications
- New Accounting Standards
- Conclusion & Discussion/Questions

Engagement Team



Engagement Team

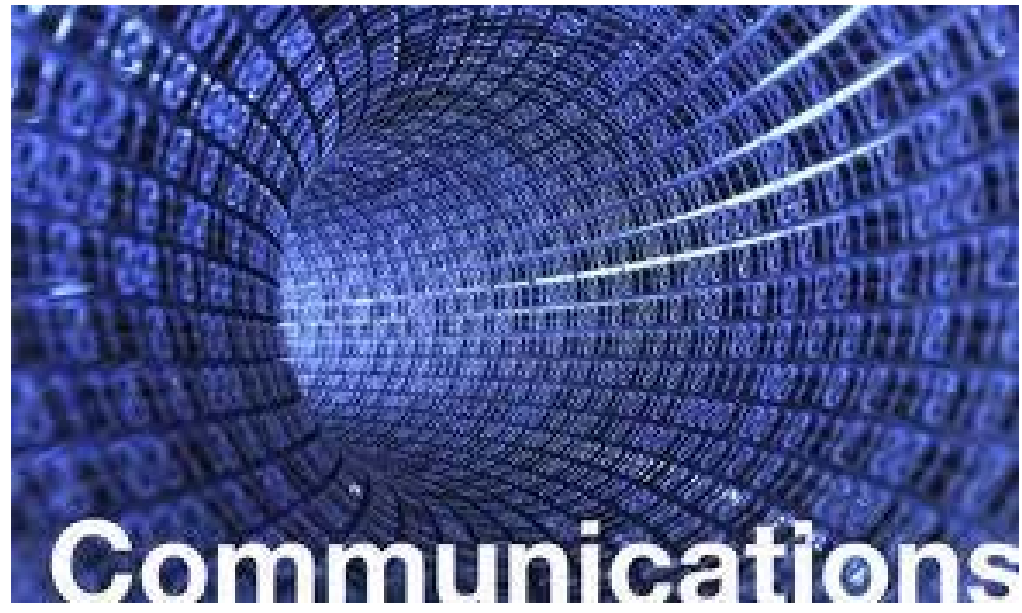


Deliverables and Scope of the Audit

- Report of Independent Auditors on City of Menlo Park Basic Financial Statements (BFS).
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
- Report on Compliance with Transportation Development Act
- Report on Compliance with Measure A
- Agreed-Upon Procedures on Appropriation Limit Schedule.
- Child Care Report
- Communications With Those Charged With Governance
 - Letter used to summarize communication of various significant matters to those charged with governance.

Areas of Primary Audit Risk

- The risk of management override of controls is addressed by the following procedures:
 - Assignment of audit staff based on consideration of audit risk.
 - Procedures to incorporate an element of unpredictability in the audit from period to period.
 - Consideration of the selection and application of significant accounting principles.
 - Examination of journal entries.
 - Review of accounting estimates for bias.
 - Evaluation of business rationale for unusual transactions.
 - Evaluation of the appropriateness of fraud-related inquiries performed
- Revenues & Receivables (Tax, Grants, Notes, etc.): Improper revenue recognitions
 - Governmental Funds: Confirm/validate property taxes, sales taxes, franchise taxes & other significant revenues/receivables.
- Pension:
 - Reviewed management's journal entries for GASB 68
 - Agreed amounts recorded to reports provided by CalPERS
 - Tested the census data used by CalPERS
 - Obtained reports from CalPERS auditors regarding plan assets and census data




Required Communications

- Our Responsibility Under U.S GAAS



- Expression of an opinion on whether financial statements are fairly stated in accordance with U.S GAAP
- Evaluate internal control over financial reporting
- Evaluate compliance with laws, contract and grants
- Evaluate the tone at the top
- Ensure financial statements are clear and transparent
- Communicate with the governing body

Required Communications

- Management Responsibility 
 - Management is responsible for the financial statements
 - Establish and maintain internal control over financial reporting
 - Making all financial records available to us
 - Adjust the financial statements to correct material misstatements
 - Establish internal control to prevent and detect fraud
 - Inform us of all known and suspected fraud
 - Comply with laws and regulations
 - Take corrective action on audit findings

Required Communications

- Independence



- It is our responsibility to maintain independence
- We will maintain our independence by strict adherence to the AICPA and the Board of Accountancy rules and regulations
- No other services performed that could affect our independence

- Timing of the Audit



- The audit was performed in the time frame communicated to the City in our engagement letters.

Required Communications

- Significant Accounting Policies and Unusual Transactions



The City adopted the following new pronouncements during the year:

- GABB Statement No.74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- GASB Statement No. 77 – Tax Abatement Disclosures
- GASB Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans
- GASB Statement No. 80 – Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14

- Management Judgment and Accounting Estimates



Significant management estimates impacting the financial statements include the following:

- Useful lives of capital assets
- Pension
- OPEB
- Municipal solid waste landfill obligations

Required Communications

- Sensitive Disclosures



The most sensitive disclosures affecting the City's financial statements are as follow:

- Summary of Significant Accounting Policies
- Cash and Investments
- Capital Assets
- Public Employee Retirement System
- Successor Agency Private Purpose Trust For Assets of Former Community Development Agency
- Prior Period Adjustment
- Subsequent events

- Difficulties Encountered in Performing the Audit



We encountered no difficulties during our audit.

Required Communications

- Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial



There were adjustments and reclassifying entries during the course of the audit. Management has posted all proposed audit adjustments.

- Potential Effect on the Financial Statements of Any Significant Risks and Exposures



No significant risks or exposures were identified. Legal matters and potential liabilities are disclosed in the financial statements

Required Communications

- Deficiencies in Internal Control over Financial Reporting



We identified the following deficiency in internal control that we considered to be material weaknesses and significant deficiencies over financial reporting :

- Significant Deficiencies:
 - Completeness of HR files
 - Allocation of payroll cost to Measure A and Child Care based on budget not actual amounts
 - Large volume of journal entries to correct a variety of errors

Required Communications

- Representations Requested of Management



We will be requesting certain representations from management prior to issuance of the report that will be included in the management representation letters

- Management Consultation with Other Accountants



We are not aware of any significant accounting or auditing matters for which management consulted with other accountants

Required Communications

- Other Material Written Communications



Other than the engagement letters and management representation letters, there have been no other significant communications

- Material Uncertainties Related to Events and Conditions



There were no material uncertainties relating to events and conditions

- Fraud and Illegal Acts



We have not become aware of any instances of fraud or illegal acts, which was not disclosed by the City

New Accounting Standards

2018

- Statement 75 – Account and Reporting for Postemployment Benefits Plans Other Than Pensions
- Statement 81 – Irrevocable Split-Interest Agreements
- Statement 85 – Omnibus 2017
- Statement 86 – Certain Debt Extinguishment Issues

2019

- Statement 83 – Certain Asset Retirement Obligations

2020

- Statement 84 – Fiduciary Activities

2021

Statement 87 – Leases

Questions



Ahmed M. Badawi
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**Thank You
For Allowing Us to Provide Audit Services
to the City of Menlo Park**

