AUDIT COMMITTEE MEETING

February 9, 2023 MINUTES

THE WEST VALLEY CITY AUDIT COMMITTEE MET ON THURSDSAY FEBRUARY 9, 2023 AT 4:00PM IN THE FINANCE DEPARTMENT CONFERENCE ROOM AND THROUGH VIRTUAL ZOOM TECHNOLOGY. THE MEETING WAS CALLED TO ORDER AND CONDUCTED BY LARS NORDFELT, AUDIT COMMITTEE CHAIRMAN.

THE FOLLOWING MEMBERS WERE PRESENT:

Lars Nordfelt, Chairman
Wayne Pyle, City Manager
Dean Lundell, Committee Representative

STAFF PRESENT:

Jim Welch, Finance Director
Niclas Hales, Accounting Manager
Abbey Smock, Finance Assistant
Steve Rowley, Auditor

INTRODUCTIONS

Chairman Lars Nordfelt called the meeting to order.

APPROVAL OF JUNE 16, 2022 MINUTES

The Committee considered the Minutes of the June 16, 2022 minutes. There were no changes, corrections or deletions. Without objections, minutes are approved.

MEETING POINTS

- **AUDIT FISCAL REVIEW FOR FY 2021-2022**
  Auditor Steve Rowley confirmed that the Auditors are responsible for reviewing compliance to accepted financial standards and providing a reasonable though not absolute assurance that the financials reports are free of material misstatements or errors. This does not relieve the City or governmental entities of their responsibility to have accurate financial statements. The Audit report is an assessment of internal controls and financial reporting that provides a reasonable assurance that these reports are free from errors and misstatements. The auditor's opinion is not an assessment of the effectiveness of internal controls. The Audit is responsible to report significant issues with the audit to the City that they feel are relevant and important. Mr. Rowley confirmed that they did not encounter difficulties within the audit, there were no materially incorrect statements, no disagreement with management, no material mistakes in the financial statements that were brought up by management as a result of the audit, and management did not consult with any outside audit firms within the course of the audit.

Mr. Rowley then directed the committee to the Audit Report, last paragraph, *"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of West Valley City as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America"*, indicating that the report is a "clean unmodified opinion".

West Valley City Audit- Mr. Rowley reviewed in the Supplemental Report, Page 3, *"In our opinion, West Valley City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022."* Single Audit/Federal Funds section that this is a clean opinion in relation to their reporting.

Mr. Rowley directed the Committee to the "Findings" section. Noted that there were no Findings for West Valley City. State Compliance report, as required and is in order and lists what the Auditors looked at and they followed those guidelines and as directed. Clean and unmodified opinion. Also discussed GASB 87 standard that are now required, and that the city didn't have much that referred to this standard. Mr. Rowley reviewed notations of their opinion of compliance and reporting and state requirements. There were Findings on page 13 regarding West Valley Arts Foundation overextending their budget $252,261. Jim Welch explained the reasoning for these findings: Mr. Welch believes it is an education issue. New people within the department and not understanding how to review expenditures and request for budget openings. The Finance Department has since had further training with the department head as well as employees to ensure they watch the budget more closely and if they need a budget opening, they will request that prior to the end of the year. Dean Lundell stated this is 2^nd^ year of this type of finding with the Arts Foundation. Nic Hales explained last year was an accounting function that occurred in the middle of the audit to offset expenses because there was a change in reporting of Grants division, with requests to have Housing and the Arts Foundation Audit and to follow appropriate revenue on the city's books would have reduced the expenses of the foundation. The funds weren't over expended, it was just moving funds one location to the other. So not the same kind of thing as this year.

Mr. Rowley finalized his remarks with having no issues or disagreements and we did hit the deadline for State compliance.

Jim Welch: The deadline for our audit report is 180 days after the end of fiscal year which is December 27th. For number of years (this is many years ago) we used to think that was December 31st not realizing that they're going to ding us for those extra three days.

Lars Nordfelt questioned the finding for Arts Foundation. What happens with that dollar amount not being sent to Council for approval? Mr. Welch explained at that the department once expenditures were over budget, should have requested the budget opening approval through council. The total budget is approved by Council, so it is a matter of moving budget from the General Fund to offset that expenditure.

At the point of this finding, the fiscal year is already closed so it isn't a matter of approval from Council, it is a finding with the State. Mr. Nordfelt's concern is that there still isn't approval from Council for this expenditure. Dean Lundell indicated the avenue in which to fix this issue is through the Audit Committee Meeting. That after the fiscal year is over, there is no other legal way to fix the issue and so this is the way the finding is reported to the Council.

Nic Hales indicated that the Finance Department has instigated a monthly and quarterly meeting with each department to ensure they know where their budget is and educate in places where we may see an issue to thwart situations like this. We are hoping that being proactive with these meetings will assist in minimizing any findings through the audit.

West Valley Arts Foundation Audit- Steve Rowley indicates *"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of West Valley Arts and Cultural Foundation as of June 30, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America."* There were no issues with internal control and results of our tests disclosed no instances of noncompliance or other matters that are requested to be reported under Government Auditing Standards.

- **PROPOSAL FOR RFP AUDIT SERVICES**
  Council has asked for Request for Proposal for audit firms to apply for audit services for the City. Jim Welch indicated that we have been with Keddington & Christensen for a lot of years and have been fair in their pricing and dealings with us, but the Council has requested proposal from other firms. Jim Welch added that he and Nic Hales put together the request for proposal with assistance of other municipalities and state information to compile what is needed for our city. Request will be sent out and will have to be received by March 9th to our City Recorder's office. We will then go through the proposals and review if they have met our requirements and grade them accordingly. We then will review this with the Audit Committee to then review these scores, summary and proposals and recommend to the Council whom we feel would meet West Valley City needs for Audit Services.

  Dean Lundell wanted to make sure that the timeline for our Audit deadline would be notated or would be a requirement. Jim Welch indicated he has an end date listed and what would be needed to complete the audit deadline as well as making sure they have enough employees to accommodate the size and scope of the city. Lars Nordfelt asked when the last time was that we had an RFP for Audit Services. Nic Hales indicated the last one was in 2006. Mr Nordfelt then asked if the timeline to receive the request and put together a proposal is enough time to complete. Jim Welch feels this is adequate time for firms to fulfill the proposals.

  The Audit Committee agreed on an RFP meeting set for March 23, 2023 at 4pm.

MOTION TO ADJOURN
Motion to adjourn meeting, meeting adjourned.

THERE BEING NO FURTHER BUSINESS OF THE WEST VALLEY AUDIT COMMITTEE MEETING OF THURSDAY, FEBRUARY 9, 2023 WAS ADJOURNED.