

City of Cupertino
Audit Committee
Special Meeting
July 11, 2017

1. CALL TO ORDER

At 4:02p.m., Chairman Eno Schmidt called the meeting to order at Conference Room EOC, Cupertino City Hall, 10300 Torre Avenue, Cupertino CA 95014.

2. ROLL CALL

Committee Members Present: Chairman Eno Schmidt, Mark Zavislak, Peter Shin, Councilmember Steven Scharf, and Councilmember Rod Sinks

City Staff Present: Kristina Alfaro, Beth Viajar, Mary Redwine, and David Brandt

Absent: None

Guests: Kathy Lai, Partner, of Crowe Horwath. Rick Rosenthal and Carolyn Cox of US Bank and Jennifer Meza from PARS were on the conference call for item 6A.

3. APPROVAL OF MINUTES

Committee Member Zavislak moved to approve the May 1, meeting minutes. Council Member Scharf seconded and the motion passed unanimously.

4. ORAL COMMUNICATIONS - NONE

5. OLD BUSINESS – NONE

6. New Business

A. Performance Review of the OPEB Trust a/o 5/31/17

Rick Rosenthal of US Bank provided a performance review as of May 31, 2017. He will provide an updated report as of June 30, 2017 when available.

B. Staff Update

i. MOIC Recommendations Focus on Bank Rec status

Alfaro presented a Bank Reconciliation project status as of 7/11/17. Senior Accountant Viajar will share template developed with the assistance of VTD. Alfaro will add more of the backfill costs associated with the project. Alfaro emphasized that she would notify both Audit Committee and City Council members if the target completion date of the Bank Rec project slips. The Committee members expressed a hope that no such slippage would be incurred.

ii. Review of Transition Plan for Finance Manager

Alfaro gave an update on the status of the Finance Manager recruitment with an expectation to onboard by November 1. Alfaro agreed to ask staff to circulate to Committee members the most recent Standard Work Plan and Progress on Uncompleted Action Items both of which were updated in the May 1st Committee meeting but not part of this meeting's advance packet.

C. Review the Treasurer's Investment Report QE June 2017

Alfaro gave a presentation of the Quarter Ending June 30, 2017 Treasurer's Investment report to the committee. Committee member Shin motioned to approve report subject to corrections needed to reconcile with the Wells Fargo custodial report by July 21st. Committee Chair Schmidt seconded the motion and passed unanimously.

D. Interim report by Independent Auditor - Crowe Horwath

Kathy Lai of Crowe Horwath discussed findings of the Interim Audit Results including Management's Response and Planned Corrective Actions. She discussed the need for internal controls in the Information System Controls area along with internal control issues in the timely processing of Bank Reconciliations. As a result of the Interim Audit Results, Crowe Horwath will not be relying on internal controls and instead will be performing substantial substantive testing during fiscal year end auditing.

E. Review and recommend budget format

Alfaro provided samples of other agencies budget brochures and graphics to get some feedback in connection with the format for the City's Budget at a Glance. There was discussion of some graphics showing this year versus last year comparison and adding a CIP page. Committee liked City of Santa Clara's budget icons showing what service's their revenue buys. Alfaro agreed to check relevant staff availability and sometime over the next year look into scheduling a special, optional Committee meeting to review functionality of OpenGov and current City budget information available online.

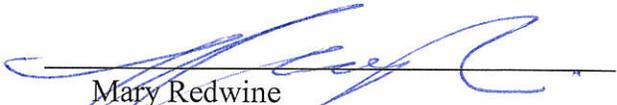
F. OPEB Actuarial Report Review

Alfaro explained why the OPEB Actuarial report won't be available until the end of August and will include it on the next Audit Committee meeting scheduled for October 23, 2017.

7. ADJOURNMENT

Committee Chair Schmidt motioned to adjourn with the next regularly scheduled meeting on October 23rd and add a special meeting whose specific purpose will be to review and approve the audited CAFR on November 13th from 4:00pm – 6:00pm.

At 6:00pm Councilmember Zavislak seconded with a unanimous approval at 6:00pm.



Mary Redwine
Recording Secretary