

City of Cupertino  
**Audit Committee**  
Regular Meeting  
July 14, 2016

**1. CALL TO ORDER**

At 3:05p.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: Councilmember Sinks, Councilmember Paul, Chairman Eno Schmidt, Mark Zavislak, and Peter Shin

City Staff Present: David Brandt, Kristina Alfaro, Lisa Taitano, Cheuk Law, and Mary Redwine

Absent: None

Guests: Rick Rosenthal and Carolyn Cox (US Bank), Mitch Barker and Jennifer Meza (PARS) for item 5A.

**3. APPROVAL OF MINUTES**

Schmidt invited a motion to approve the minutes of the special meetings of March 21, 2016 and of April 14, 2016, and the motion passed unanimously.

**4. ORAL COMMUNICATIONS – NONE –**

**5. NEW BUSINESS**

**A. PARS Annual presentation on Retiree Health Trust Performance**

Rick from US Bank gave a portfolio performance review as of July 14, 2016, with a market review and outlook.

**B. Review and recommend budget format improvements**

**1. Budget-at-a-Glance (existing)**

Alfaro reviewed the data and graphs illustrated in the BAAG brochure.

Committee suggested replacing the Revenue by Fund pie with Revenue by Source pie, removing % from Property Tax pie, and adding a graphic representing percentage of expenses to employee compensation. Since one of the Audit Committee's powers and functions according to the Municipal code (chapter 2.88.100) is "to recommend a budget format," the committee agreed to a) ask City staff to coordinate with OpenGov and to come to the next meeting to give a presentation on budget formats (maximum 30 minutes) and b) for City staff to summarize a list for the Audit Committee of the various budget formats being used currently by the City including summary budget, printed "big book" budget, quarterly budgets and OpenGov budget formats.

**2. Budget-to-Actual graphic (proposed)**

Alfaro suggested removing the prior 4-year detail at account level tables from the printed Adopted Budget as this data is available through the OpenGov portal. The committee agreed to remove those tables from the budget book going forward.

**C. Internal Controls and MOIC discussion**

Taitano discussed findings in the report provided by Maze & Associates.

**a) Findings and Recommendations****b) Hiring additional staff with strong governmental accounting knowledge**

Taitano gave a review of staffing levels and how she is handling deficiencies.

**c) Staff training in technical governmental accounting and cross training**

Money was budgeted for FY2016-17 for staff training within the accounting group and for decentralize accounting staff.

**d) Retainer deposits payable should be monitored more closely and with better coordination**

Chairman Schmidt raised the issue of staffing with respect to this item. Conversation took place on how the problem occurs, why it is persistent, and what needs to be done to prevent it going forward. An additional accountant position was considered in addition to the process improvements implemented by accounting staff. Chairman Schmidt asked that City staff again to reach out to Peter to address Peter's questions about not understanding how the prior period adjustment on developer deposits was properly audited and accounted for in the financial statements for the year ending June 30, 2015.

**e) Status on Interim Audit and Final Audit**

Taitano provided dates for the Interim Audit and the Final Audit. The Standard Work Plan for the Committee has an interim report on the CAFR by the auditors in the October meeting. As the schedule for completing the final audit falls after the October meeting date, the Committee requested an update on the Interim Audit be provided from Maze at the October meeting. Additionally the Committee requested that Maze provide its audit report at the October meeting on the investment cycle (with focus on wire cycle) in accordance with the requirements in the recently approved Investment Policy.

**D. Review of Progress on Uncompleted Action Items from Previous Meetings and Standard Work Plan for Audit Committee**


Committee agreed that City staff should add an Expected Date of Completion column including dates for each item to the list of uncompleted items.

**E. Treasurer's Investment Report for Quarter Ending June 30, 2016**

Item deferred to next meeting.

**ADJOURNMENT**

The meeting was adjourned at 5:47pm by Zavislak and seconded by Sinks



Mary Redwine  
Recording Secretary