

City of Cupertino
Audit Committee Special Meeting
Minutes
January 22, 2019

1. CALL TO ORDER

At 4:12p.m., Chairman Eno Schmidt called the meeting to order at Cupertino City Hall Conference Room A, 10300 Torre Avenue, Cupertino CA 95014.

2. ROLL CALL

Committee Members Present: Chairman Eno Schmidt, Daisy Liang, Mayor Scharf, Councilmember Paul

City Staff Present: Timm Borden, Kristina Alfaro, Zach Korach, and Mariela Rodriguez

Absent: Jim Luther

Guests:

3. APPROVAL OF MINUTES

Councilmember Paul motioned to approve the December 11, 2018 minutes, Daisy seconded subject to changes suggested under approval of minutes, in reference to "washed through the income statement" and subject to committee receiving a copy of the revised Investment Policy.

4. ORAL COMMUNICATIONS

5. OLD BUSINESS

6. NEW BUSINESS

A. Subject: Briefing on September 5, 2018 Press Release and proposed action plan in response to alleged embezzlement by City's former Senior Accountant.

Finance Manager, Zach Korach, provided a recap and overview of staff report on alleged embezzlement involving former city accountant, Jennifer Chang. Korach mentioned that city met with current external auditors and forensic auditors and it was verified that it was the deposit liability that got reduced and enabled the scheme to take place. Korach continued to explain that it was not the income statement but the balance sheet accounts that were affected. Korach mentions that upon fund restitution the city believes that the funds be issued to the State of California. Chairman Schmidt questioned whether the money be issued to the state and presented a scenario in which services could have been performed by City staff, but the deposit liability account was not reduced accordingly. Chairman Schmidt requested more information on quality of control changes that were implanted in 2014 with new system. Korach explained that the city currently does not have record in the system of original deposit holders. Councilmember Paul motioned to accept staffs debrief on the alleged embezzlement by the former

senior accountant and in addition adding to the record the qualifications provided in writing by Chairman Schmidt, Daisy Seconded, motion passed unanimously.

B. Tyler's Asset Management Module and Analysis of Operational Integration

Korach introduced the report on the Tyler asset management module which allows all of the city's capital asset records be maintained within the primary enterprise resource planning (ERP) system. Korach explained that the implementation of asset management is a stand-alone reporting module and that the city is also considering the possibility of shifting from a decentralized to a centralized purchasing structure, which would hold the finance division solely responsible for the purchasing process. Chairman Schmidt suggested coming back with an analysis report on centralization vs. decentralization while considering 1) operational efficiency 2) internal control and 3) IT – user acceptance. Councilmember Paul motioned to accept report pursuant to coming back at a later date with analysis report on Chairman Schmidt's suggestions, Mayor Scharf Seconded, motion passed unanimously.

3. Treasure's Report for Quarter Ending December 31, 2018

Zach Korach reported that City staff has retained Chandler asset management group. Chandler will be providing an in-depth cash flow report. Korach presented treasurer's report for quarter ending December 31, 2018. Chairman Schmidt mentioned that the average yield in prior pay period was 1.40 and not 1.42 as mentioned in the slide presentation. Korach to look at information and make the necessary changes. Korach continued to covered yield comparison, agency diversification, policy compliance and summary of cash flow coverage. Mayor Scharf motioned to accept treasures report, Daisy Seconded, motion passed unanimously.

4. Audit Committee Proposed Work Plan 2019

Committee deliberated and discussed the proposed 2019 work plan. Chairman Schmidt Suggested electing a new chair and vice chair. Councilmember Paul nominated Eno Schmidt, Mayor Scharf seconded. Chairman Schmidt nominated Daisy for Vice Chair, Daisy accepted, Mayor Scharf seconded. Chairman Schmidt suggested having committee documents uploaded 7 days before each meeting date and implement as part of the work plan. Councilmember Paul motioned to approve the work plan 2019 off a revised version, Daisy seconded, motion passed unanimously.

5. ADJOURNMENT

The meeting was adjourned at 5:58pm.



Marida Rodriguez
Recording Secretary