

**CITY OF WEST COVINA**

**AUDIT COMMITTEE**

**AGENDA**

TUESDAY, JUNE 14, 2016, 6:30 PM  
SPECIAL MEETING

WEST COVINA CITY HALL  
MANAGEMENT RESOURCE CENTER, 3<sup>RD</sup> FL., RM. 314  
WEST COVINA, CALIFORNIA 91790

**Mayor Pro Tem Corey Warshaw**  
**Councilman Mike Spence**  
**Colleen Rozatti, City Treasurer**  
**James Grivich, Community Member**  
**Darrell Myrick, Community Member**

***AMERICANS WITH DISABILITIES ACT***

The Committee complies with the Americans with Disabilities Act (ADA). If you will need special assistance at Committee Meetings, please call (626) 939-8433 (voice) or (626) 960-4422 (TTY) from 8:00 a.m. to 5:00 p.m. Monday through Thursday, at least 48 hours prior to the meeting to make arrangements.

***AGENDA MATERIAL***

Agenda material is available for review at the West Covina City Clerk's Office, Room 317 in City Hall, 1444 W. Garvey Avenue South and at [www.westcovina.org](http://www.westcovina.org). Any writings or documents regarding any item on this agenda not exempt from public disclosure, provided to a majority of the Committee that is distributed less than 72 hours before the meeting, will be made available for public inspection in the City Clerk's Office, Room 317 of City Hall during normal business hours.

**PUBLIC COMMENTS**  
**ADDRESSING THE AUDIT COMMITTEE MEMBERS**

Any person wishing to address the Committee on any matter listed on the agenda or on any other matter within their jurisdiction should complete a speaker card that is provided at the entrance and submit the card to the Committee Secretary.

Please identify on the speaker card whether you are speaking on an agenda item or non-agenda. Requests to speak on agenda items will be heard prior to requests to speak on non-agenda items. All comments are limited to three (3) minutes per speaker.

June 14, 2016

**AGENDA**

**CITY OF WEST COVINA  
AUDIT COMMITTEE**

TUESDAY, JUNE 14, 2016, 6:30 PM  
SPECIAL MEETING

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

**ORAL COMMUNICATIONS - Three (3) minutes per speaker**

*Please state your name and city of residence for the record.*

**1. APPROVAL OF MINUTES**

**April 11, 2016, Special Audit Committee Meeting Minutes**

Motion by \_\_\_\_\_, second by \_\_\_\_\_  
to approve the Special Audit Committee meeting minutes held on  
Monday, April 11, 2016, as presented  
Motion carried by a vote of \_\_\_\_\_.

**2. AUDIT COMMITTEE NOMINATION**

**RECOMMENDATION:**

It is recommended that the Audit Committee make the following appointment:

**NOMINATION OF CHAIR**

Motion by \_\_\_\_\_, second by \_\_\_\_\_  
To elect \_\_\_\_\_ for the Chair.  
Motion carried by a vote of \_\_\_\_\_.

June 14, 2016

**3. FISCAL YEAR 2015-16 AUDIT PLANNING SESSION**

**RECOMMENDATION:**

Motion by \_\_\_\_\_, second by \_\_\_\_\_  
To \_\_\_\_\_.  
Motion carried by a vote of \_\_\_\_\_.

**ADJOURNMENT**

Motion by \_\_\_\_\_, second by \_\_\_\_\_  
to adjourn the meeting at \_\_\_\_\_.  
Motion carried by a vote of \_\_\_\_\_.

# A G E N D A

ITEM NO 1

DATE June 14, 2016

## CITY OF WEST COVINA

### AUDIT COMMITTEE

#### MINUTES SPECIAL MEETING Monday, April 11, 2016, 6:30 p.m.

The special meeting of the Audit Committee was called to order at 6:30 p.m. in the City Council Chambers. Mayor Pro Tem Corey Warshaw led the Pledge of Allegiance.

#### ROLL CALL

Present: Mayor Pro Tem Corey Warshaw  
Councilman Mike Spence  
Colleen Rozatti, City Treasurer  
Chris Freeland, City Manager  
Christa Buhagiar, Finance Director  
Kenneth Kasamatsu, Community Member

Absent: Darrell Myrick, Community Member

Staff Present: Nicole Lugotoff, Nancy Ramos

#### ORAL COMMUNICATIONS

No oral communication.

### 1. AUDIT COMMITTEE NOMINATIONS

#### 1. Nomination of Chair

Motion by Rozatti and seconded by Warshaw to nominate Kasamatsu for the Chair.  
Motion carried 6-0.

**2. Nomination of Vice Chair**

Motion by Freeland and seconded by Warshaw to nominate Spence for the Vice-Chair. Motion carried 6-0.

**2. AWARD OF AUDIT SERVICES CONTRACT**

Motion by Rozatti and seconded by Warshaw to approve the Award of Audit Services Contract to Rogers, Anderson, Malody & Scott, LLP. Motion carried 6-0.

**3. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND OTHER RELATED REPORTS FOR THE YEAR ENDED JUNE 30, 2015**

Motion by Freeland and seconded by Warshaw to approve the CAFR and other related reports for the year ended June 30, 2015. Motion carried 6-0.

**ADJOURNMENT**

Meeting adjourned at 7:23 p.m.

# AGENDA

ITEM NO 2  
DATE June 14, 2016

**TO:** Audit Committee  
**FROM:** Christa Buhagiar  
Finance Director  
**SUBJECT: AUDIT COMMITTEE NOMINATION**

**RECOMMENDATION:**

It is recommended that the Audit Committee nominate a Chair.

**DISCUSSION:**

At the April 11, 2016, Special Audit Committee meeting, the Board voted Mr. Kenneth Kasamatsu as Chair and Councilman Mike Spence as the Vice-Chair. At the May 3, 2016, City Council meeting, Chair Kasamatsu resigned from the Board for personal reasons. The City Council appointed Mr. James Grivich as the new Audit Committee Member at the May 17, 2016, City Council meeting. A revised resolution (Attachment No. 1) was also presented removing the City Manager and Finance Director from the Audit Committee, since they prepare the reports that are presented to the Audit Committee. Although they will still be involved in the process, ultimately all direction will be given by the Audit Committee.

Prepared by:



Christa Buhagiar  
Finance Director

ATTACHMENT NO. 1 – Audit Committee Resolution 2016-40

**RESOLUTION NO. 2016-40**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST COVINA AMENDING THE PROCEDURES, RULES AND REGULATIONS FOR THE AUDIT COMMITTEE.**

**WHEREAS**, the City Council of the City of West Covina recognizes the importance of transparency and accountability in the administration of public resources, and the City Council is ultimately responsible for ensuring that the City of West Covina is meeting its internal control and financial reporting responsibilities; and

**WHEREAS**, the City Council recognizes the importance of creating an Audit Committee as it is considered a financial management best practice; and

**WHEREAS**, the formation of an Audit Committee will ensure regular and direct communication between the City's independent auditors and the City Council and will further the City Council's goals of transparency and accountability in the administration of public resources; and

**WHEREAS**, the City Council established an Audit Committee with Resolution No. 2015-73; and

**WHEREAS**, the City Council now desires to remove the City Manager and Finance Director from the Audit Committee.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of West Covina as follows:

**SECTION 1: AUDIT COMMITTEE RULES AND REGULATIONS**

**1. ESTABLISHMENT OF THE AUDIT COMMITTEE**

The City Council of the City of West Covina hereby establishes the City of West Covina Audit Committee.

**2. PURPOSE**

The Audit Committee's primary purpose is to assist the City Council in discharging its responsibilities for the overall stewardship of the City's financial affairs. This will include reviewing financial information; ascertaining the existence and adequacy of accounting and internal control systems and related safeguards over the City's assets; and overseeing the audit function.

### **3. MEMBERSHIP AND APPOINTMENT**

The Audit Committee shall consist of five members: the City Treasurer, two City Council members, and two members of the public. The two City Council members and the two members of the public will be appointed by the City Council. The City Clerk shall post and advertise the public positions and vacancies as provided for all other city commissions and committees.

### **4. COMPENSATION**

Members of the Committee shall serve without compensation.

### **5. TERM OF MEMBERSHIP**

The appointed members of the Committee shall be appointed for two (2) year terms on a staggered basis, except for the initial appointment as provided herein. For the initial appointments, one Council Member and one member of the public shall initially be appointed to serve a one year term in order to allow for the staggered terms thereafter.

### **6. TIME AND PLACE OF MEETINGS**

The Committee will meet at least once annually and shall hold other meetings on an as needed basis. All meetings of the Committee shall be held at the City of West Covina City Hall located at 1444 W. Garvey Ave. in the City of West Covina.

### **7. CONFLICT OF INTEREST**

All members of the Committee are subject to the requirements of the Conflict of Interest codes of the City of West Covina and Conflict of Interest laws of the State of California.

### **8. DUTIES OF THE COMMITTEE**

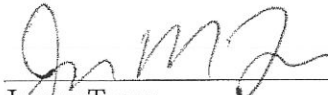
The role of the Committee is to augment management's accountability to the City Council. The Committee achieves this goal by:

- Recommending the selection of the independent financial auditor for the financial statement audit;
- Monitoring the progress of the financial statement audit;
- Evaluating the results of the financial statement audit;
- Ensuring that any control weaknesses and legal compliance violations identified in the course of the financial statement audit are promptly and effectively remedied;
- Serving as a direct communications link between the City Council and the independent auditor; and
- Monitoring the adequacy of the City's internal control structure on an ongoing basis, such as cash disbursements, cash receipting, treasury transactions, etc., as examined by the internal audit function and the independent financial auditor.

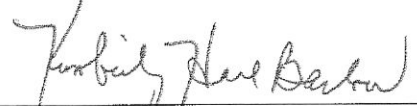


**SECTION 2.** That the City Clerk shall certify to the passage and adoption of the resolution.

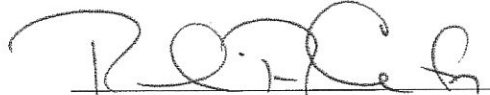
**APPROVED AND ADOPTED** on this 17<sup>th</sup> day of May, 2016.

  
\_\_\_\_\_  
James Toma  
Mayor

**APPROVED AS TO FORM:**


  
\_\_\_\_\_  
Kimberly Hall Barlow  
City Attorney

**ATTEST:**

  
\_\_\_\_\_  
Nickolas S. Lewis  
City Clerk

I, HEREBY CERTIFY that the foregoing resolution was duly adopted by the City Council of the City of West Covina, California, at a regular meeting thereof on the 17<sup>th</sup> day of May, 2016, by the following vote of City Council:

AYES: Johnson, Spence, Warshaw, Wu, Toma  
NOES: None  
ABSENT: None  
ABSTAIN: None

  
\_\_\_\_\_  
Nickolas S. Lewis  
City Clerk

# A G E N D A

ITEM NO 3

DATE June 14, 2016

**TO:** Audit Committee

**FROM:** Christa Buhagiar  
Finance Director

**SUBJECT: FISCAL YEAR 2015-16 AUDIT PLANNING SESSION**

## **RECOMMENDATION:**

It is recommended that the Audit Committee recommend any areas of concern to be reviewed during the Fiscal Year 2015-16 audit process.

## **DISCUSSION:**

On June 20, 2016, the City's new auditors, Rogers, Anderson, Malody & Scott, LLP will begin their interim testing for Fiscal Year 2015-16. During this phase of the audit, their principal objectives are to gather information about the City and its environment so they can conduct their audit planning and internal control testing.

In order to achieve the desired objectives of this phase of the audit, the auditors will:

- Hold brainstorming sessions with City staff to discuss the susceptibility of the City's financial statements to material misstatement and fraud.
- Review and evaluate the City's accounting and reporting processes by reviewing the prior year's audit workpapers, any City-prepared documents such as budgets, in-house financial reports, policies and procedures manuals, minutes of board meetings, etc., and by using various analytical procedures. Analytical procedures will enhance their understanding of the City and will help them identify areas that may need further assessment and additional testing.
- Review and retain copies of any pertinent local, state and federal statutes, regulations, or charters that apply to the City.
- Evaluate the design of controls that are relevant to the audit by obtaining a thorough understanding of the City's internal controls over financial reporting and compliance by documenting key internal control components, utilizing questionnaires, walkthroughs, inquiring of the City's personnel, and observing and reviewing key supporting documentation.

- Test controls, if control risk is assessed below the maximum, by selecting a sample of transactions within the audit area being tested and reviewing supporting documentation, and evaluating the completeness of the documentation tested, as well as the adequacy of support and approvals as they appear on the support.
- Document and review with management, any findings noted during the testing of internal controls and provide a preliminary management letter that will include our recommendations for improving any weaknesses in operations. The letter will also include suggestions for improving the efficiency of the City's operations.

Staff recommends that the Audit Committee ask any questions they may have of the auditors and discuss any areas of concern they may want the auditors to look into during their fieldwork.

Prepared by:



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Christa Buhagiar  
Finance Director