Audit Committee

Committee Meeting

~ Agenda ~

300 N New Ballas Rd
Creve Coeur, MO 63141
www.creve-coeur.org/

Tracy Brothers
3144422070

Wednesday, August 29, 2018 | **10:00 AM** | **Administrative Conference Room**

I. Call to Order

Attendee Name	Present	Absent	Late	Arrived
Chairperson Ellen Lawrence	☐	☐	☐	
Councilman Robert Hoffman	☐	☐	☐	
Councilman Charlotte D'Alfonso	☐	☐	☐	
Board Member Ronald Abeles	☐	☐	☐	
Vice-Chair Marjorie Richter	☐	☐	☐	

II. Approve Minutes

Monday, November 13, 2017

III. New Buisness

Elect Chair and Vice Chair

FY17 Audit Comments

Pre-Audit Discussion

IV. Other Business

V. Adjournment

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Audit Committee

Committee Meeting

~ Minutes ~

Monday, November 13, 2017 | **9:30 AM** | **Administrative Conference Room**

I. Call to Order

Chairperson Lawrence called the meeting to order at 9:32 a.m. Present were:

Ellen Lawrence	Chairperson
Marjorie Richter	Vice-Chair
Robert Hoffman	Councilman
Ronald Abeles	Board Member

Absent: Charlotte D'Alfonso, Councilman

Also in attendance: Lori Obermoeller, Director of Finance

Karen Lenk, Schowalter and Jabouri

II. Approve Agenda

Chairman Lawrence asked for a motion to approve the meeting agenda. Mr. Hoffman motioned and Ms. Richter seconded to approve the agenda. All present voted aye, motioned carried

III. Meeting Minutes from August 30, 2017

Ms. Richter motioned and Mr. Abeles seconded to approve the meeting minutes of August 30, 2017. All present voted aye, motioned carried.

IV. FY17 CAFR Discussion

Karen Lenk from Schowalter & Jabouri presented the FY 2017 audit findings to the Committee. In the independent auditor's report, an unmodified opinion was issued; meaning, in their opinion, the financial statements are fairly presented in all material respects.

Ms. Lenk then went through the Management Discussion and Analysis (MD&A) briefly. Ms. Lenk commented that the financial statements 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 the City as of June 30, 2017.

Significant changes in Fund Net Position included a decrease in sales tax, public utility license tax, fines, forfeitures and charges for services. The decrease was over $400,000. Investment income decreased mostly due to the investment balance decreasing by approximately $1 million from the prior year.

Significant changes in expenses included decreases in computer hardware, liability insurance and other contractual services. Expenses increased over $380,000 mainly due to the expenditures for the new police building. The change from rear-yard to curbside trash pickup saved a significant amount of money.

A single audit was not necessary for FY 2017 as federal expenditures did not exceed $750,000. It is anticipated that a single audit will be needed next year.

Ms. Lenk thought the overall audit went well and there are no concerns. Chairman Lawrence inquired how the pension audit was incorporated into the audit. Ms. Lenk noted it took more procedures because there were more footnotes to be incorporated, but overall it wasn't a big impact. Ms. Obermoeller informed the committee that she added a few things to the CAFR in regards to the pension that are not normally in it. These items were to help compensate for not doing a separate pension audit.

Comments from the committee included having the funds for the new police building as a separate line. Ms. Lenk responded that in the MD&A the accounting standards require that these be grouped into the categories shown. On the balance sheet it is shown as restricted and therefore a separate line. It was suggested by the committee that there could be another sentence added, "The net change in net income is due to the following factors" instead of listing each factor individually. This will point out the total net loss which is significant. A couple of other comments were made in regards to clarification of words so those suggestions will be included in the final document.

The proposal for audit services from Schowalter and Jabouri expires with the FY 2017 audit. However, there is an offer in their proposal to extend the contract for two one-year terms with a minimal fee increase. Mr. Hoffman moved and Ms. Lawrence seconded the motion to extend the contract with Schowalter and Jabouri. All present voted aye, motion carried.

V. Review of Fund Balance Policy

Ms. Obermoeller noted that every two years the finance committee is to review the fund balance policy. At the last meeting, the finance committee suggested the audit committee look at it also. Changes include taking out the procedures and combining with the definitions so it no longer repeats itself. Also, the definition of restricted fund balance was corrected.

VI. Other Business

There was no other business.

VII. Adjournment

Mr. Hoffman motioned and Ms. Richter seconded the motion to adjourn the meeting. All present voted aye, motion carried. The meeting adjourned at 10:20 a.m.

CITY OF CREVE COEUR, MISSOURI

REPORT ON INTERNAL CONTROL RELATED MATTERS AND ADVISORY COMMENTS

JUNE 30, 2017

SCHOWALTER & JABOURI, P.C.
Certified Public Accountants & Advisors

The Honorable Mayor, Members
of the City Council and Management
City of Creve Coeur, Missouri

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Creve Coeur, Missouri (the "City") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our comments concerning internal control and other significant matters are presented as follows:

I. Current Year Matters
II. Status of Prior Year Other Matters

This communication is intended solely for the information and use of management, the Honorable Mayor, the Members of the City Council, and others within the City, and is not intended to be, and should not be used by anyone other than these specified parties.

We will be pleased to further discuss these matters with you and want to express our sincere appreciation to the staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve the City of Creve Coeur, Missouri.

Yours very truly,

Schowalter & Jabouri, P.C.

SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
November 13, 2017

11878 Gravois Road
St. Louis, Missouri 63127

11777 Gravois Road
St. Louis, Missouri 63127

(314) 849-4999
FAX (314) 849-3486

sjcpa.com

A member of Nexia

I. CURRENT YEAR MATTERS

A. Liability Accounts

During our audit, we noted the City has several liability accounts in the General Fund that appear to be dormant. We recommend the City investigate and take action to resolve these liability accounts.

B. Computer Controls

One of the basic elements of internal control is separation of duties so that no one person controls all phases of an operation. During our audit, we noted the following practices which represent a lack of segregation of duties:

- The Finance Manager is a privileged superuser of the computer application.
- Several individuals have access to the vendor master data file.

We recommend that the City continue to monitor computer access to the GEMS system to ensure proper segregation of duties. At least annually, the supervisor of each department should receive a GEMS user access report with all the employees in their department and the access that these employees have.

C. Risk Assessment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. Although management addresses risks as they arise in the normal course of everyday business, we recommend that the City perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the City's internal control systems should include performance of this assessment.

The risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the City. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who also have an extensive knowledge of the City, its environment, and its processes.

Once areas vulnerable to fraud or other risks have been identified, a review of the City's systems, procedures, and existing controls relating to the identified areas should be conducted. The City should consider the additional controls that need to be implemented to reduce the risk of fraud, considering the nature and extent of controls recommended and the cost of implementing those controls. This assessment of risks and internal controls should be documented to provide the foundation for appropriate communication concerning the City's responsibility for the evaluation and monitoring of the effective operation of controls. Once completed, risk assessments should be reviewed and updated annually or as significant changes occur.

II. STATUS OF PRIOR YEAR OTHER MATTERS

A. Documentation of Accounting Policies, Procedures, and Internal Controls

We recommended the City continue to complete its documentation of its significant operational and accounting processes in a formal accounting policies and procedures manual. In addition, we recommended the City develop internal control documentation to address each of the five elements of internal control (control environment, risk assessment, control activities, information and communications, and monitoring) as described in the COSO (Committee of Sponsoring Organizations) internal control framework.

Status: The City has completed their accounting policies and procedures manual and therefore this comment will not be repeated.

B. Risk Assessment

Although management addresses risks as they arise in the normal course of everyday business, we recommended that the City perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation.

Status: See "Other Current Year Matters" for current comment.

C. Capital Asset Policy

We recommended the City establish a comprehensive capital asset policy.

Status: Implemented.

D. Computer Controls

Segregation of duties

We recommended that user groups be set up within the GEMS system to better align employee's job responsibilities with the system access granted. We also recommended that Information Technology personnel be responsible for assigning user access to the GEMS application. Information Technology personnel should be prohibited from initiating and/or authorizing "live" transactions required for daily accounting/finance activities.

Status: User groups have been established to better align with employee's job responsibilities.

System Access

We recommended that at least annually, the supervisor of each department receive a GEMS user access report with all the employees in their department and the access that these employees have.

Status: See "Other Current Year Matters" for current comment.