

County of Butte

Audit Committee

Butte County Administration Conference Room

25 County Center Drive, Oroville, CA

October 30, 2012

Minutes

Call to Order

The Butte County Audit Committee meeting was called to order by Maureen Kirk at 10:00 am.

Committee Members Present:

Supervisor Kirk; Paul Hahn, CAO; Greg Iturria, CFO; Linda Barnes, Treasurer and Tax Collector; Dave Houser, Auditor Controller

Also Present:

Thomas Limper, Deputy CFO; Susie Rees, Butte County Staff

Sandy Sup, Gallina LLP

Grand Jury Members John Rhein, Ron Hostetter, Susan Struble, Roger Hart

I. Review and Approve

Minutes from April 20, 2012 meeting – Motion made to approve, motion seconded. Motion carried unanimously.

II. Discussion

- A. Sandy Sup, Gallina, explained that there are four Gallina Auditors in the Butte County Auditor Controller's office doing field work this week. They did some preliminary testing in August and are currently focusing on testing Year End Fund Balances and high risk issues. High risk issues are determined by comparing numbers to previous fiscal years and by looking at new GASB standards. There are no new standards that will affect Butte County this year. Items that are considered high risk include Cash, Capital Assets, Debt and other high dollar items. There is not a significant amount of new debt this year so that will not be considered as a high risk item.

- a. Roger Hart asked Greg Iturria about the process for selecting an auditing firm to perform the outside audits.
- b. Greg explained that a Request For Proposal is sent out every three years. There are only a few firms to choose from as Butte County is too big for many and too small for others. It is typical to get only a few responses to the RFP.
- c. Roger Hart inquired as to how many years Gallina has performed the County's independent audits.
- d. Greg Iturria indicated that Gallina is the second firm in the past 10 years to work with Butte County and we are currently in the first year of a three year contract.
- e. Roger Hart also inquired as to whether or not Gallina audits other California counties.
- f. Sandy Sup responded that she has personally audited other counties as have Brad Constantine, one of the Gallina partners who has been auditing for 30 years, and Elba Zuniga, who has been auditing for 15 years. Gallina currently audits 20 counties in California.
- g. Dave Houser added that legislation has been put in place that will require counties to change auditors every six years. This means that Butte County will need to find another outside auditing firm at the end of this contract with Gallina.
- h. Paul Hahn added that this legislation will provide an avenue for Butte County to find another firm so as to avoid "getting too cozy" with our auditor. One of the issues in locating a different auditor last year was that the dissolution of the RDAs caused most auditors to have a shortage of help and rendered them too busy to take on new clients.
- i. Dave Houser added that three new audits per RDA must take place and, as there are 400 RDAs in California, that has added to the burden of the auditing firms.
- j. Greg Iturria mentioned that, in addition to the outside auditing, the County has internal checks and balances between the Finance Office and the Auditor/Controller's Office. Linda Barnes confirmed that these internal checks and balances are also present within the Treasurer/Tax Collector's Office.
- k. Roger Hart asked Sandy Sup when she thought the current audit would be completed. She indicated that, since Butte County applies for the CAFR Award, the report needs to be completed by December 31, 2012. She said that they hope to have a draft done by December 1st.
- l. Maureen Kirk asked if the dissolution of the RDAs would mean that more auditors would be available once that process is complete or if it is an ongoing process. Dave Houser responded that it is a continuing process at this point. At a State Controller's Office meeting last week the question of the successor agencies came up. It appears that the successor agencies to the RDAs will be considered Special Districts and will, therefore, require additional oversight responsibilities by the auditing firms. Paul added that of the two successor agencies in Butte County, Chico and Oroville, Chico

has three issues that need addressing. One of them, involving \$11.5 million is more than likely resolved but there are still two outstanding issues that need addressing. Dave confirmed that the Department of Finance is working out the remaining problems.

- m. Greg Iturria asked Sandy Sup if she had anything to add regarding the audit. He added that he had heard of an issue regarding concerns about the landfill and Dave Houser indicated that recommendations regarding that issue are currently being formulated.

B. Sandy Sup handed out a summary of new GASB pronouncements - Statement 68 will not take affect until the beginning of the Fiscal Year following June 15, 2014.

- a. Paul Hahn asked what the major change will be with GASB 68. Sandy Sup explained that it will require unfunded liabilities to be reported on the Government Wide Financial Statements. Currently, that information is in footnote form in the financial statements. Dave Houser mentioned that there has been pressure from the investment community for transparency and that is why the pension issue has come to the forefront. Greg added that there has been talk of GASB issuing a statement regarding productivity and that there is a lot of discussion about whether that should be imposed or not. Paul stated that we are watching GASB related issues very closely.
- b. Sandy Sup explained that Gallina's approach to new GASB statements is to have their employees attend educational classes and then conduct training for clients as well. They take a very proactive role in implementing new GASB statements.
- c. Maureen Kirk asked what the GASB is. Dave Houser explained that GASB is the Government Accounting Standards Board accountable to the profession of accounting. Greg Iturria added that the main purpose of the GASB is to establish consistent standards of accounting across the country so interested parties can get a sense of the financial position of various entities. GASB is not made up of political appointees.

III. Public Comment

- A. Roger Hart thanked Paul Hahn and Greg Iturria for all their help answering Grand Jury questions.
- B. Dave Houser passed around the State Controller's Annual Award for Financial Reporting Certificate that Butte County was awarded, as well as the Comprehensive Annual Financial Report award from the Governmental Finance Officers Association for the 2010-2011 fiscal year.
- C. Maureen Kirk thanked the Grand Jury for all their hard work.

Meeting Adjourned by Supervisor Kirk at 10:35 am. Greg Iturria indicated that the next meeting will take place in March or April of 2013.

