



**City of Lone Tree Audit Committee
Meeting Agenda
Wednesday, March 4, 2015 at 9:00 A.M**

Meeting Location: Lone Tree Municipal Building, 9220 Kimmer Drive, Suite 100, Lone Tree, CO 80124
Meeting Procedure: The Lone Tree Audit Committee and staff will meet for the Regular Session at 9:00 a.m. Contact Kristin Baumgartner if special arrangements are needed to attend (at least 24 hours in advance).

9:00 A.M. Meeting Agenda

1. Roll Call
 2. Introduction of new members
 3. Chair nomination
 4. Review and approval of December 4, 2014 Minutes
 5. Discussion of auditor selection and RFP process for 2015 audit (completed in 2016)
 6. Overview of audit process for 2014 audit
 - a. Any specific requests for areas of focus related to internal controls for 2014
 7. Discussion of Next Meeting Date (tentatively set for June 10, 2015)
 8. Other Business
 9. Adjournment
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CITY OF LONE TREE
Audit Committee Minutes
December 4, 2014

A meeting of the City of Lone Tree's Audit Committee was held on Thursday, December 4, 2014, at 10:00 a.m. at the City of Lone Tree Municipal Office, 9220 Kimmer Drive, Suite 100.

The following Committee members were present:

Vice Chair Chris Howson, CPA, Lone Tree Resident
Andrew Dodgen, CPA, Lone Tree Resident
Kim Monson, Council Member
Seth Hoffman, City Manager
Kristin Baumgartner, CPA, Finance Director

Committee Member Suzanne Gibson was absent.

Also present:

Heather Lunde, Accountant

Vice Chair Howson called the meeting to order at 10:03 a.m.

Review and Approval of June 12, 2014 Minutes

No corrections were received after the minutes were sent for review after the meeting. There were no corrections noted. Vice Chair Howson moved, Mr. Dodgen seconded, to approve the June 12, 2014 Minutes. The motion passed unanimously.

Update on Audit Committee Members

Kristin Baumgartner provided an update on two of the audit committee members, Andrew Dodgen and Chris Howson. Andrew Dodgen accepted a position to be a member of the Planning Commission and since the City's policy limits membership to one committee/commission group, this was Andrew's last meeting as a member of the audit committee. Chris Howson recently received a promotion at his employment and will be relocating to Nevada, so this was also Chris' last meeting. The remaining members of the committee extended their gratitude to Andrew and Chris for their time and commitment to the audit committee and wished them well.

The newest members to join the audit committee, Suzanne Gibson and Dan Reeb, were selected by Council and accepted the Council's offer to become a member of the audit committee. There is one vacant position that will be filled soon. Their first meeting will be on March 4, 2015.

Update on 2015 Engagement Letter with Wagner, Barnes, and Griggs, PC

The engagement letter for auditing services was approved by Council at the December 2, 2014 meeting. The total cost of the 2014 audit, to be completed in 2015, was reduced \$3,000 due to the auditor not having to complete extra internal control testing. In the previous years audit, this additional testing was required since Finance was brought fully in-house.

Overview of the 2015 Budget Process and Draft

Kristin Baumgartner provided an overview of the 2015 budget process. The process starts in May with a City Council retreat where Council provides staff with policy direction. During June-August, City staff prepare a draft budget, which is presented to Council in late August/September at a two-day work session. A draft is made available to the public on October 15th on the City's website and a public hearing is held in November. The final budget will be adopted at the December 16, 2014 Council meeting.

The draft budget was distributed and the highlighted areas included: the working reserve percentages for 2014 and 2015, the capital reserve and the larger projects in 2015, revenues (sales tax) and expenditures (capital outlay and police department). Additionally, Ms. Baumgartner informed the committee of two new positions for 2015, Planner II in the Building Department and Emergency Manager in the Police Department. The Emergency Manager will be a City of Lone Tree employee, but will also provide services to the Town of Parker and in doing so, the costs associated with this position will be split with the Town of Parker.

Future Projects in the City of Lone Tree

Seth Hoffman provided an overview of a few upcoming projects that will be occurring in the City. First, the City is initiating the process to form a 501(c)(3) to work with the Lone Tree Arts Center for fundraising purposes. This process will take approximately six months and in the meantime, the Arts Center will create a fund with the Douglas County Community Foundation as their fiscal agent. The new 501(c)(3) will be shown in the 2015 audit as a Component Unit on the financial statements.

Mr. Hoffman also discussed that during 2015 the City will be working to complete a long-range fiscal analysis, as well as completing the Eastside fiscal analysis to develop a strategy to ensure the City remains financially stable with the anticipated growth with the development of the Eastside.

Next Meeting Date

Discussion was held concerning the next meeting date which is scheduled for March 4, 2015 at 9:00am. Kristin Baumgartner will be sending out an outline/agenda for the 2015 meetings.

Adjournment

Mr. Dodgen moved, Vice Chair Howson seconded, to adjourn at 10:45 a.m. The motion passed unanimously.

Respectfully Submitted,

Kristin Baumgartner, CPA
Finance Director



CITY OF LONE TREE
STAFF REPORT

TO: Audit Committee
FROM: Kristin Baumgartner, Finance Director
DATE: February 25, 2015
SUBJECT: Auditor selection and RFP process

Summary

Government Finance Officers Association (GFOA) best practices on audit procurement include the following guidance:

- Government entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain “startup” costs over several years, rather than over a single year.
- Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements. Ideally, auditor independence would be enhanced by a policy requiring that the independent auditor be replaced at the end of the audit contract, as is often the case in the private sector. Unfortunately, the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive. In such cases, it is recommended that a governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory.
- The audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditors ability to perform a quality audit. In no case should price be allowed to serve as the sole criterion for the selection of an independent auditor

Wagner Barnes and Griggs, PC became the City auditors for the 2008 audit for a five year term through the 2012 audit. Discussion was held with the audit committee about

going out for formal requests for proposals (RFPs) for the 2013 audit, however, with the transition of finance coming fully in-house during 2013, the committee felt that it would be better to keep an audit firm that was familiar with the City structure to help access additional internal controls needed with the transition. Additionally in 2013, the City added additional audit work related to the Lone Tree Arts Center to qualify for the Scientific and Cultural Facilities District (SCFD) Tier II grant funding. For the 2014 audit, it was also discussed and the decision was made to again retain Wagner Barnes and Griggs, PC for 2014 by the audit committee, mainly due to the finance director being on maternity leave for a portion of the year, but that the audit committee did recommend going out for RFPs for the 2015 audit.

With the change of audit committee members, City staff wanted to provide background and allow for discussion to see if that is still the direction recommended by the committee.