



CITY OF  
**HAYWARD**  
HEART OF THE BAY

**COUNCIL BUDGET AND  
FINANCE COMMITTEE**

**JULY 23, 2014**

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**CITY COUNCIL BUDGET & FINANCE COMMITTEE MEETING**  
**July 23, 2014**  
**City Hall Conference Room 4A; 4:30PM**

**CALL TO ORDER**

**ROLL CALL**

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**PUBLIC COMMENTS**

*The Public Comment section provides an opportunity to address the City Council Committee on items not listed on the agenda as well as items on the agenda. The Committee welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Committee is prohibited by State law from discussing items not listed on the agenda, any comments on items not on the agenda will be taken under consideration without Committee discussion and may be referred to staff.*

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1. Approval of Minutes of June 25, 2014  
[Draft Minutes](#)
2. FY 2014 Annual Audit Process SAS 114 (presentation from Maze & Associates)  
[Report](#)
3. Review of Draft FY 2015 Meeting Schedule  
[Draft Meeting Schedule](#)

**COMMITTEE MEMBER/STAFF ANNOUNCEMENTS AND REFERRALS**

**ADJOURNMENT**

**NEXT REGULAR MEETING – SEPTEMBER 25, 2014, 4:30PM, ROOM 4A**

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*\*\*\*Materials related to an item on the agenda submitted to the Council Committee after distribution of the agenda packet are available for public inspection in the City Clerk's Office, City Hall, 777 B Street, 4<sup>th</sup> Floor, Hayward, during normal business hours. An online version of this agenda and staff reports are available on the City's website.*

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*Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans Disabilities Act of 1990. Individuals must request the accommodation at least 48 hours in advance of the meeting by contacting the Assistant City Manager at (510) 583-4300 or TDD (510) 247-3340.*

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HAYWARD CITY COUNCIL, 777 B STREET, HAYWARD, CA 94541  
[HTTP://WWW.HAYWARD-CA.GOV](http://www.hayward-ca.gov)



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## CITY COUNCIL BUDGET & FINANCE COMMITTEE MEETING

### Meeting Minutes of June 25, 2014

**Call to Order:** 4:01pm

**Members Present:** Mayor Michael Sweeney, Councilmembers Greg Jones and Al Mendall

**Staff:** Fran David, Kelly McAdoo, Tracy Vesely

**Guests:** Pam Covington, Local 21

**Public Comments:** None

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1. Committee reviewed the meetings minutes for the April 30, 2014 City Council Budget & Finance Committee meeting. *Action: unanimous approval*
2. The Committee reviewed the FY 2015 budget process and offered suggestions to improve and enhance the process. *No Action was taken.*
3. The Committee reviewed the draft FY 2015 meeting schedule. *No Action was taken.*

**Committee Members/Staff Announcements and Referrals:** None.

**Adjournment:** The meeting was adjourned at 4:50pm

**CITY OF HAYWARD**  
**AUDIT PLANNING MEETING AGENDA**  
**For The Year Ended June 30, 2014**

Audit standards require us to have meetings with our clients to discuss the audit process including:

- Audit Scope
- Audit Timing
- Management Representations
- Fraud Considerations

***Audit Scope***

Council approved our contract in 2011 which incorporates our proposal detailing our audit approach and timing. Audit scope generally includes the following subject to adaptation from our risk assessment process:

- Perform risk assessment brainstorming and planning
- Create audit plan tailored to the City and sector
- Transactions cycles subject to control testing and sampling:
  - Revenue/receivable
  - Disbursements/accounts payable
  - Payroll/accrued liabilities
  - Loans receivable
  - Federal award transactions
- Transactions cycles testing:
  - Controls over cash transactions and accruals
  - Test of transactions
  - Tests of information system application controls
  - Confirmations generally not used as they are ineffective
  - Accrual tests at year end
- Transactions and balances tested in total:
  - Cash and investments tested via bank reconciliation tests and confirmation of bank balances
  - Capital assets tested through corroboration with capital outlay and council authorizations on a test basis and estimate of depreciation
  - Debt and debt service through confirmation and indenture terms
  - Compensated balances through estimation
  - Claim payable through claims loss run and actuarial studies, if any

- Evaluate overall duty assignment including:
  - Focused attention to conflict of duties – employees with access to assets and related recorded used to control and account for those assets
  - Tests of mitigating controls
- Information system controls tests:
  - An information system review is performed by our IT specialist
  - Application controls tested through transaction cycle tests
- Perform compliance tests
  - Single Audit Act: Federal regulations applicable to federal awards
  - Transportation Development Act Program compliance with State regulations
  - ACTC Master Funding Agreement
  - Certain Government code provisions applicable to cash and investments
  - Certain Government code provisions applicable to new debt issues
  - Local policy compliance, typically:
    - Investment
    - Purchasing
- Financial statement preparation assistance
  - Staff has request that we provide assistance the preparation of financial statements and disclosures
  - We are satisfied staff have the capability to perform this task themselves.
  - Financial statement presentation and disclosures are evaluated and amendment proposed as needed

### ***Audit Timing***

We have met with staff and agreed the following schedule:

- Interim fieldwork: June and July 2014
- Final fieldwork: two weeks starting October 13, 2014
- Reports Finalization: December 2014
- Single audit fieldwork: to be determined

### ***Management Representations***

We will request representations from management that data and assertions provided are complete and accurate. We rely primarily on our audit verification tests and procedures, however, management assertions and judgments unavoidably affect financial data.

***Fraud Considerations:*** Statement of Audit Standard (SAS) #99, *Consideration of Fraud in a Financial Statement Audit.* This Standard came out of the fall out of Enron/WorldCom and other private sector frauds.

1. “Fraud” is defined as an intentional act that results in a *material misstatement in financial statements* that are subject to audit. In this case, fraud includes two concepts:
  - a. Fraudulent financial reporting:
    - i. Misstatement including misapplication of accounting principals, omission of data or disclosures, fictitious transactions or sham transactions
    - ii. Concealment
  - b. Misappropriations of assets:
    - i. Theft
    - ii. Concealment
    - iii. Conversion
2. SAS #99 requires an inquiry of client
  - a. Client officials to include:
    - i. Council members/audit committee members
    - ii. City Manager
    - iii. Finance Director
    - iv. Others outside Finance (optional)
  - b. Areas to be discussed:
    - i. Is management aware of known instances of fraud?
    - ii. Are there areas you believe are “Susceptible to Fraud”
  - c. Areas automatically deemed susceptible to fraud:
    - i. Improper revenue recognition
    - ii. Management override of Internal Control
3. SAS #99 also requires that we address our client’s “Fraud Risk Assessment and Monitoring Programs”
  - a. Prevention techniques
  - b. Deterrence techniques
  - c. Detection techniques



**July 23, 2014**

**COUNCIL BUDGET AND FINANCE COMMITTEE  
FY 2015 MEETING SCHEDULE (tentative)**

Meeting Location: 777 B STREET - CITY HALL - 4<sup>TH</sup> FLOOR CONFERENCE ROOM 4B  
HAYWARD, CALIFORNIA

Meeting Time: 4:30 P. M.

Meeting Dates: The Council Budget and Finance Committee generally meet monthly on the fourth Wednesday of the month, except for August, due to City Council Break. Special meetings will be scheduled as determined necessary by the Committee or the City Manager.

<b>DATE</b>	<b>SUGGESTED TOPICS (subject to change)</b>
July 23, 2014	FY 2014 annual audit process (external auditor)
September 24, 2014	Investment portfolio update (external investment manager) Budget policies review Draft Purchasing Policies Review
October 22, 2014	Preliminary FY 2014 year-end financial status FY 2015 1 <sup>st</sup> quarter review Benefit liabilities funding plan
November 19, 2014*	FY 2015 Statement of Investment Policy review FY 2014 CAFR review (external auditor)
December 17, 2014*	FY 2016 & FY 2017 tentative budget process calendar
January 21, 2015	General Fund Ten-Year Plan review Preliminary FY 2015 Mid-year review
February 25, 2015	TBD
March 25, 2015	FY 2016 & FY 2017 budget process update Annual City debt & benefit liabilities review
April 22, 2015	FY 2015 3 <sup>rd</sup> Quarter review Preview of FY 2016 CIP budget & Ten-Year CIP Preview of FY 2016 & FY 2017 Biennial Operating Budget
May 27, 2015	FY 2016 & FY 2017 budget update
June 24, 2015	FY 2016 & FY 2017 budget debrief

*\*adjusted meeting date to accommodate holiday*

**Non-scheduled agenda topics:**

- Master Fee Study Update