



City of Santa Clara

Meeting Agenda

Audit Committee

Monday, August 27, 2018

5:00 PM

City Hall
Council Conference Room
1500 Warburton Avenue
Santa Clara, CA 95050

CALL TO ORDER AND ROLL CALL

CONSENT CALENDAR

1. 18-1159 [Audit Committee Minutes](#)

Recommendation: Approve the Audit Committee minutes of December 6, 2017 and February 26, 2018.

PUBLIC PRESENTATIONS

GENERAL BUSINESS

2. 18-1160 [Overview of Santa Clara Stadium Authority Fiscal Year 2017/18 Annual Financial Statements and Audit Results Presentation by KPMG, LLP](#)

Recommendation: Accept the Santa Clara Stadium Authority Fiscal Year 2017/18 Annual Financial Statements and recommend that the Stadium Authority note and file the report at the September 11, 2018 Joint Council and Authorities Concurrent and Stadium Authority meeting.

STAFF REPORT

COMMITTEE REPORT

ADJOURNMENT

Future Audit Committee Meetings will be scheduled at future date.



City of Santa Clara

1500 Warburton Avenue
Santa Clara, CA 95050
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Agenda Report

18-1159

Agenda Date: 8/27/2018

SUBJECT

Audit Committee Minutes

RECOMMENDATION

Approve the Audit Committee minutes of December 6, 2017 and February 26, 2018.



MINUTES OF THE AUDIT COMMITTEE

City Hall – City Manager's (CMO)
Staff Conference Room
1500 Warburton Avenue
Santa Clara, CA, 95050

DRAFT - MEETING MINUTES

December 6, 2017, 5:00 p.m.

Committee Members

Present:

Council Member Pat Kolstad, Chair

Council Member Kathy Watanabe

Staff:

Chief Operating Officer, Walter Rossmann

Acting Director of Finance, Staff Liaison, Angela Kraetsch

Accounting Division Manager, David Noce

City Clerk, Rod Diridon

Staff Aide I, Sophia Smith

Guests:

Maze and Associates Shareholder, Amy Meyer

Matters for City Council Action: Recommendation to note and file the audited Santa Clara Comprehensive Annual Financial Report (CAFR) and Silicon Valley Power Financial Statements

1. Call to Order/Roll Call

Meeting was called to order by Council Member/Chair Kolstad at 5:04 p.m.

2. Introduction and Opening Remarks

The Chief Operating Officer described the audit that the City recently underwent and noted that the audit is the annual financial audit by Maze and Associates. He introduced Amy Meyer, Shareholder from Maze and Associates and city staff Angela Kraetsch, David Noce, Rod Diridon and Sophia Smith.

3. Public Presentations

Debra Bress stated that she was unhappy with the current accounting system from a public interface perspective and proposed changes that she would like to see.

4. Approval of Minutes

Minutes from the Santa Clara Stadium Authority were approved, motion by Committee member Watanabe and seconded by Chairperson Kolstad. Motion carried unanimously 2:0.

5. Annual City Auditor Report

City Clerk Diridon presented the annual City Auditor Report and responded to travel expense related questions from Committee member Watanabe and member of the public, Debra Bress.

6. Documents – (Handout)

- a. Draft City of Santa Clara Comprehensive Financial Report (CAFR)
- b. Draft Silicon Valley Power (SVP) Financial Statements
- c. Draft Memorandum on Internal Control
- d. GANN Limit and Compliance Reports

7. Presentation by Maze and Associates – Amy Meyer, Shareholder

Amy Meyer went through Maze's slide presentation.

Ms. Meyer defined what an audit is and the entities that Maze was engaged to audit, specifically mentioning that the Santa Clara Stadium Authority is not part of their audit scope as it is audited separately by KPMG.

Ms. Meyer went through the results of the audit, outlining the audit opinion as an unmodified opinion which is the highest level of assurance.

Ms. Meyer highlighted that the City implemented GASB 74 this year which is an accounting standard related to other post-employment benefits (OPEB).

Ms. Meyer described Maze's review of the City's internal control policies and procedures and went over Maze's Memorandum of Internal Control. She described a finding the City received due to the processes surrounding the segregation of duties between payroll and human resources. She reported that Maze had no material audit adjustments and complemented staff.

8. Overview of Financial Statements – Angela Kraetsch, Acting Director of Finance

Various points were highlighted from the Management's Discussion and Analysis (MD&A) section. A brief description of the sections of the CAFR was outlined.

Ms. Kraetsch gave an outline of the City responses to the Memorandum of Internal Control presented by Maze.

David Noce, Accounting Division Manager, went through a detailed review of the CAFR presenting highlights and financial results for the year.

Mr. Noce and Ms. Kraetsch responded to questions from committee members and the public.

9. Recommendation

Motion was made by Committee member Watanabe and seconded by Chairperson Kolstad to accept the audited City of Santa Clara CAFR and SVP Financial Statements for Fiscal Year ended June 30, 2017 and recommend that the City note and file the report at the December 19, 2017 City Council meeting. Motion carried unanimously 2:0.

10. Adjournment

Meeting was adjourned at 6:14 p.m.



MINUTES OF THE AUDIT COMMITTEE

City Hall – City Manager's (CMO)
Staff Conference Room
1500 Warburton Avenue
Santa Clara, CA, 95050

DRAFT - MEETING MINUTES

February 26, 2018 5:00 p.m.

Committee Members

Present:

Mayor Lisa M. Gillmor, Acting Chair
Vice Mayor Kathy Watanabe
Council Member Patricia M. Mahan

Staff:

Chief Operating Officer, Walter C. Rossmann
Director of Finance, Staff Liaison, Angela Kraetsch
Accounting Division Manager, David Noce
Housing & Community Services Division Manager, Jonathan Veach

Guests:

Maze and Associates Shareholder, Grace Zhang
Maze and Associates Supervisor, Cody Smith

Matters for City Council Action: Recommendation to note and file the audited City of Santa Clara Single Audit Report for Fiscal Year ended June 30, 2017

1. Call to Order/Roll Call

Meeting was called to order by Mayor/Acting Chair Gillmor at 5:05 p.m.

2. Introduction and Opening Remarks

The Chief Operating Officer described the Single Audit that the City recently underwent and noted that the audit is conducted by Maze and Associates. He introduced the Maze and Associates team members.

3. Public Presentations

N/A

4. Approval of Minutes

Minutes from the City of Santa Clara Audit Committee meeting on December 6, 2017 to review the Comprehensive Annual Financial Report could not be approved as Committee Member Gillmor and Mahan abstained from voting due to them not being in attendance at the December 6, 2017 meeting. These minutes will be on the next Audit Committee meeting scheduled.

5. Documents – (Handout)

- a. Draft City of Santa Clara Single Audit Report

6. Presentation by Maze and Associates – Cody Smith, Supervisor

Cody Smith defined what the Single Audit is and went through Maze and Associates' audit process and results of their testing. He reported that the City is a low-risk City and this goes into their planning process and how their samples are selected.

Mr. Smith reported that the HOME Investment Partnership Program was the "major" program selected for auditing this fiscal year.

He then detailed the Schedule of Expenditures of Federal Awards (SEFA), showing the total federal expenditures the City made during fiscal year 2016/17.

Mr. Smith went through the opinions issued by Maze and Associates and reported that both opinions were unmodified.

Mr. Smith then detailed a finding related to the HOME program. Maze and Associates indicated it wasn't a finding they uncovered but rather a finding related to an independent Housing and Urban Development (HUD) audit that occurred in previous years.

Mr. Smith then gave an overview of the Uniform Guidance that govern the Single Audit, pointing out that one of the requirements is to provide a corrective action plan for the reported finding, which the City has done.

7. Overview and Discussion of Single Audit Report – David Noce, Accounting Division Manager and Jonathan Veach, Housing Division Manager

Mr. Noce and Mr. Veach addressed the finding reported by Maze and Associates and went over the corrective action report that is part of the Single Audit report.

Mr. Veach also detailed the types of programs that the City spends HOME grant funds on.

Mr. Noce and Mr. Veach responded to questions from committee members.

8. Recommendation

Motion was made by Committee Member Mahan and seconded by Committee Member Watanabe to accept the audited City of Santa Clara Single Audit Report for Fiscal Year ended June 30, 2017 and recommend that the City note and file the report at the March 20, 2018 City Council meeting. Motion carried unanimously 3:0.

9. Adjournment

Meeting was adjourned at 5:31 p.m.



Agenda Report

18-1160

Agenda Date: 8/27/2018

REPORT TO AUDIT COMMITTEE

SUBJECT

Overview of Santa Clara Stadium Authority Fiscal Year 2017/18 Annual Financial Statements and Audit Results Presentation by KPMG, LLP

BACKGROUND

The Santa Clara Stadium Authority (Stadium Authority), the Stadium Funding Trust, and Goldman Sachs Bank USA entered into a Credit Agreement on June 19, 2013. Section 5.1(a) of the Credit Agreement requires that the Stadium Authority Annual Financial Statements be audited by independent certified public accountants within 180 days after the end of each fiscal year. On May 31, 2018 the Stadium Authority entered into a professional services agreement with KPMG, LLP (KPMG) to perform the annual financial audit of the Stadium Authority's Fiscal Year 2017/18 Annual Financial Statements.

The Annual Financial Statements include: (1) the Independent Auditors' Report which describes the auditors' responsibility and their opinion of the Financial Statements, (2) Management's Discussion and Analysis which provides an overall review of the Stadium Authority's financial activities, (3) the Basic Financial Statements, and (4) the Notes to the Financial Statements which have additional information pertaining to the Stadium Authority's operations and financial position.

The Financial Statements being discussed with this report cover the Stadium Authority's 2017/18 fiscal year, which runs from April 1, 2017 to March 31, 2018.

DISCUSSION

The role of the audit committee is to provide oversight of the Stadium Authority's financial reporting processes, internal controls and independent auditors. KPMG will present the Stadium Authority audit results to the audit committee to provide a brief overview of the audit. This includes their audit report, financial statement disclosures, internal control related matters and other items.

Stadium Authority staff will be providing an overview of the Stadium Authority Fiscal Year 2017/18 Annual Financial Statements including year-over-year comparison of the Stadium Authority financial position.

Lisa Avis, Managing Director, Audit and Joseph Cancino, Manager, Audit, will be presenting the Stadium Authority Audit Results.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environment Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a

potential significant impact on the environment.

FISCAL IMPACT

Costs associated with the preparation of this report are included in the Stadium Authority Operating Budget.

PUBLIC CONTACT

Public contact was made by posting the Audit Committee agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Accept the Santa Clara Stadium Authority Fiscal Year 2017/18 Annual Financial Statements and recommend that the Stadium Authority note and file the report at the September 11, 2018 Joint Council and Authorities Concurrent and Stadium Authority meeting.

Reviewed by: Linh Lam, Assistant Director of Finance/City Auditor

Approved by: Deanna J. Santana, City Manager