

AGENDA

CANBY CITY COUNCIL MEETING

September 6, 2006, 7:30 P.M.

Council Chambers

155 NW 2nd Avenue

Mayor Melody Thompson

Council President Teresa Blackwell

Councilor Randy Carson

Councilor Walt Daniels

Councilor Roger Harris

Councilor Tony Helbling

Councilor Wayne Oliver

CITY COUNCIL MEETING

1. CALL TO ORDER

A. Pledge of Allegiance and Moment of Silence

B. POW/MIA Recognition Day Proclamation

Pg. 1

2. COMMUNICATIONS

3. CITIZEN INPUT & COMMUNITY ANNOUNCEMENTS

(This is an opportunity for visitors to address the City Council on items not on the agenda. It is also the time to address items that are on the agenda but not scheduled for a public hearing. Each citizen will be given 3 minutes to give testimony. Citizens are first required to fill out a testimony/comment card prior to speaking and hand it to the City Recorder. These forms are available by the sign-in podium. Staff and the City Council will make every effort to respond to questions raised during citizens input before tonight's meeting ends or as quickly as possible thereafter.)

4. MAYOR'S BUSINESS

5. COUNCILOR COMMENTS & LIAISON REPORTS

6. CONSENT AGENDA

(This section allows the City Council to consider routine items that require no discussion and can be approved in one comprehensive motion. An item may be discussed if it is pulled from the consent agenda to New Business.)

A. Approval of Accounts Payable \$ 393,689.76

B. Approval of Minutes of the August 16, 2006 City Council Work Session, Regular Meeting, and Executive Session

7. RESOLUTIONS & ORDINANCES

A. Ord. 1215, Authorizing Contract with Power Motors for Lease/Purchase of Two (2) 2007 Dodge Charger Police Vehicles (2nd Reading) Pg. 2

B. Ord. 1219, Amending Ord. #1113 Regarding Interest Collected on Past Due Accounts Within the Economic Improvement District (2nd Reading) Pg. 4

C. Ord. 1220, Authorizing Contract with Power Motors for Purchase of One (1) 2007 Dodge Charger Police Vehicle (2nd Reading) Pg. 6

D. Ord. 1221, Authorizing Purchase from Western Power & Equipment of One (1) John Deer 6420 4WD Tractor & Tiger TBF-50RS Boom Flail Mower Pg. 8

E. Ord. 1222, Authorizing Contract with AAI Weatherization, Inc. for Recoating the
Foam Roof at the Canby Swim Center Pg. 12

8. NEW BUSINESS

A. Fiscal Impact of Swimming Pool Operating Levy Failure To Follow
B. Focused Audit and Review of Cash Handling Procedures Pg. 15
C. Discussion Regarding Charter Amendment

9. CITY ADMINISTRATOR'S BUSINESS & STAFF REPORTS

A. Transit Department Update

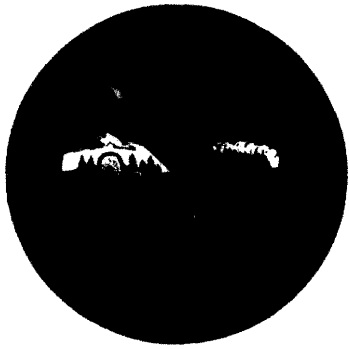
10. CITIZEN INPUT

11. ACTION REVIEW

**12. EXECUTIVE SESSION: ORS 192.660(2)(e) Real Property and ORS 192.660(2)(h)
Pending Litigation**

13. ADJOURN

*The meeting location is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made at least 48 hours before the meeting to Kim Scheafer at 503.266.4021 ext. 233. A copy of this Agenda can be found on the City's web page at www.ci.canby.or.us. City Council and Planning Commission Meetings are broadcast live and can be viewed on OCTS Channel 5. For a schedule of the playback times, please call 503.263.6287.



Office of the Mayor

Proclamation

“POW/MIA RECOGNITION DAY”

WHEREAS, The United States of America has participated in many wars, calling upon its sons and daughters to fight for their country; and

WHEREAS, Over 125,000 American men and women have been held captive by hostile powers during their military service; and

WHEREAS, Many American prisoners of war were subjected to harsh and inhumane treatment by their captors which often resulted in death; and

WHEREAS, Over 88,000 Americans are still listed as missing and unaccounted for, and the families and friends of these missing Americans, as well as their fellow veterans, still endure uncertainty concerning their fate; and

WHEREAS, The sacrifices of Americans still missing are deserving of national recognition and support for continuing priority efforts to determine their fate; and

WHEREAS, the City of Canby is proud to join with other cities in the State of Oregon and nation in honoring those still missing.

NOW, THEREFORE, I, Melody Thompson, Mayor of the City of Canby, hereby proclaim September 15, 2006 as POW/MIA Recognition Day in Canby and encourage all citizens to join in this observance.

Given unto my hand this 6th day of September, 2006.

Melody Thompson
Mayor

ORDINANCE NO. 1215

AN ORDINANCE AUTHORIZING THE MAYOR AND/OR CITY ADMINISTRATOR TO EXECUTE A CONTRACT WITH POWER MOTORS OF SALEM, OREGON FOR THE LEASE/PURCHASE OF TWO (2) 2007 DODGE CHARGER POLICE VEHICLES WITH POLICE EQUIPMENT PACKAGES FOR THE CANBY POLICE DEPARTMENT; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Canby wishes to lease/purchase two (2) 2007 Dodge Charger Police vehicles with full police equipment packages for the Canby Police Department; and

WHEREAS, the cost of the vehicles and equipment will be paid by the Canby Police Department which has budgeted said purchase for the fiscal year 2006-2007 budget; and

WHEREAS, in accordance with ORS Chapter 279 and Canby Public Purchasing Rules as set forth in Ordinance No. 1170 and Resolution No. 897, three written bids were obtained for the purchase of the two police vehicles as follows:

- | | |
|----------------------------|--------------------------|
| 1. Power Motors: | \$23,989.00/per vehicle. |
| 2. Town and Country Dodge: | \$25,009.91/per vehicle. |
| 3. Withnell Motor Company: | \$24,009.91/per vehicle. |

WHEREAS, Power Motors of Salem, Oregon submitted the lowest quote of \$23,989.00 per vehicle for two (2) vehicles; and

WHEREAS, the City Council meeting and acting as the Contract Review Board for the City of Canby has reviewed this quote, reviewed the staff report and believes it to be in the best interest of the City to purchase these vehicles from Power Motors; and

WHEREAS, the cost of paint and police equipment/computer system to be added to the new vehicles is the sum of \$9,135.00; now therefore

THE CITY OF CANBY ORDAINS AS FOLLOWS:

Section 1. The Mayor and/or City Administrator are hereby authorized and directed to make, execute and declare in the name of the City of Canby and on its behalf, an appropriate lease/purchase contract with Power Motors of Salem, Oregon for the lease/purchase of two (2) 2007 Dodge Charger Police vehicles in the amount of

\$23,989.00 per vehicle, together with paint and police equipment/computer packages in the amount of \$9,135.00 for a total of \$33,124.00 per vehicle.

Section 2. In so much as it is in the best interest of the citizens of the City of Canby, Oregon to provide the Police Department with these vehicles without further delay, and to better serve the citizens of Canby, an emergency is hereby declared to exist and this ordinance shall therefore take effect immediately upon its enactment after final reading.

SUBMITTED to the Canby City Council and read the first time at a regular meeting thereof on August 16th, 2006, and ordered posted in three (3) public and conspicuous places in the City of Canby as specified in the Canby City Charter and to come before the City Council for final reading and action at a regular meeting thereof on September 6th, 2006, commencing at the hour of 7:30 P.M. in the Council Meeting Chambers at Canby City hall in Canby, Oregon.

Kimberly Schaefer
City Recorder - Pro Tem

PASSED on second and final reading by the Canby City Council at a regular meeting thereof on the 6th day of September, 2006, by the following vote:

YEAS _____

NAYS _____

Melody Thompson, Mayor

ATTEST:

Kimberly Scheafer,
City Recorder - Pro Tem

ORDINANCE NO. 1219

AN ORDINANCE AMENDING ORDINANCE NO. 1113 REGARDING INTEREST COLLECTED ON PAST DUE ACCOUNTS WITHIN THE CANBY ECONOMIC IMPROVEMENT DISTRICT (EID).

WHEREAS, Ordinance No 1113, passed February 19, 2003, created an Economic Improvement District (EID) for the five year period May 2003 – April 2008 within the City of Canby; and

WHEREAS, Ordinance No 1113 did not address the question of whether interest charged to past due or delinquent accounts was to be distributed to the City or to Canby Business Development (CBD), a non-profit corporation, created to administer the funds collected from the EID assessments to help promote business development within the City of Canby; and

WHEREAS, the Canby City Council wishes to provide that all interest collected shall also go the CBD for use in its program; now therefore

THE CITY OF CANBY ORDAINS AS FOLLOWS:

Section 1. **Section 8: Disbursement of Funds by City Recorder shall be amended to read as follows:**

“The City Recorder shall disburse funds collected for the District to Canby Business Development (CBD) bi-monthly, commencing May 15, 2003, to accomplish the purposes set forth in Section 2 above. Effective May 22, 2006, all interest charged and collected by the City, together with past due assessments received shall be distributed to CBD with the next bi-monthly payment from the City to CBD. No funds shall be distributed if the CBD ceases to exist for the purposes set forth in its adopted bylaws or if bylaws are amended so as to be in conflict with the enabling legislation contained in ORS Chapter 223 or in Section 2 above”.

Section 2. **Emergency Declared.** Inasmuch as it is in the best interest of the City to provide this source of funds to the CBD to enable it to continue operations, an emergency is hereby declared to exist and this ordinance shall take effect immediately upon final reading and enactment by the Canby City Council.

SUBMITTED to the Canby City Council and read the first time at a regular meeting thereof on Wednesday, August 16, 2006, and ordered posted in three (3)

2nd Reading

public and conspicuous places in the City of Canby as specified in the Canby City Charter and to come before the City Council for final reading and action at a regular meeting thereof on Wednesday, September 6, 2006, commencing at the hour of 7:30 P.M. in the Council Meeting Chambers at Canby City Hall in Canby, Oregon.

Kimberly Scheafer
City Recorder - Pro Tem

PASSED on second and final reading by the Canby City Council at a regular meeting thereof on the 6th day of September, 2006, by the following vote:

YEAS _____

NAYS _____

Melody Thompson
Mayor

ATTEST:

Kimberly Scheafer,
City Recorder - Pro Tem

ORDINANCE NO. 1220

AN ORDINANCE AUTHORIZING THE MAYOR AND/OR CITY ADMINISTRATOR TO EXECUTE A CONTRACT WITH POWER MOTORS OF SALEM, OREGON FOR THE PURCHASE OF ONE (1) 2007 DODGE CHARGER POLICE VEHICLE FOR THE CANBY POLICE DEPARTMENT; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Canby wishes to purchase one (1) 2007 Dodge Charger Police vehicle for the Canby Police Department; and

WHEREAS, the cost of the vehicle will be paid by the Canby Police Department which has budgeted said purchase for the fiscal year 2006-2007 budget; and

WHEREAS, in accordance with ORS Chapter 279 and Canby Public Purchasing Rules as set forth in Ordinance No. 1170 and Resolution No. 897, three written bids were obtained for the purchase of the police vehicle as follows:

- | | |
|----------------------------|--------------------------|
| 1. Power Motors: | \$23,989.00/per vehicle. |
| 2. Town and Country Dodge: | \$25,009.91/per vehicle. |
| 3. Withnell Motor Company: | \$24,009.91/per vehicle. |

WHEREAS, Power Motors of Salem, Oregon submitted the lowest quote of \$23,989.00 for one (1) vehicle; and

WHEREAS, the City Council meeting and acting as the Contract Review Board for the City of Canby has reviewed this quote, reviewed the staff report and believes it to be in the best interest of the City to purchase this vehicle from Power Motors; now therefore

THE CITY OF CANBY ORDAINS AS FOLLOWS:

Section 1. The Mayor and/or City Administrator are hereby authorized and directed to make, execute and declare in the name of the City of Canby and on its behalf, an appropriate purchase contract with Power Motors of Salem, Oregon for the purchase of one (1) 2007 Dodge Charger Police vehicle in the amount of \$23,989.00.

Section 2. In so much as it is in the best interest of the citizens of the City of Canby, Oregon to provide the Police Department with this vehicle without further delay, and to better serve the citizens of Canby, an emergency is hereby declared to exist and

2nd Reading

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this ordinance shall therefore take effect immediately upon its enactment after final reading.

SUBMITTED to the Canby City Council and read the first time at a regular meeting thereof on August 16th, 2006, and ordered posted in three (3) public and conspicuous places in the City of Canby as specified in the Canby City Charter and to come before the City Council for final reading and action at a regular meeting thereof on September 6th, 2006, commencing at the hour of 7:30 P.M. in the Council Meeting Chambers at Canby City hall in Canby, Oregon.

Kimberly Schaefer
City Recorder - Pro Tem

PASSED on second and final reading by the Canby City Council at a regular meeting thereof on the 6th day of September, 2006, by the following vote:

YEAS _____

NAYS _____

Melody Thompson, Mayor

ATTEST:

Kimberly Scheafer,
City Recorder - Pro Tem

DATE: August 17, 2006

MEMO TO: Mark Adcock, City Administrator

FROM: Margaret Yochem, Transit and General Services Director
Beth Saul, Library and Parks Director

RE: Boom mower purchase

Issue:

During the budget process \$50,000 was set aside to be combined with existing parks capital funding for a total of \$55,000 to go towards the purchase of a boom mower (a tractor with a hydraulic articulated mowing attachment) for use by the Parks Department (70%) and Streets Department (30%). This estimate has proven to be short, as the lowest quote came in at \$87,900. Nevertheless, we would like to go forward with the purchase as we believe that this piece of equipment is vitally needed by our small maintenance crews to serve the public adequately.

Recommendation:

We have identified additional funds in the Capital Reserve to make up the difference and recommend that the purchase go forward as soon as possible.

Background:

For the past nine years the Parks Department has requested the purchase of either a boom mower or a sweeper in order to maximize the time and abilities of its small crew. The Street Department has frequently rented a boom mower to maintain roadsides throughout the city.

Unfortunately, these mowers are very difficult to locate for rental. The City has over 100 acres of parkland that needs to be maintained by mowing down blackberries and scotch broom for both safety and to control these invasive species. The Street Department does not even own a mower for roadsides and must rely on hand trimming for the most pressing areas only. The Fish Eddy property and Log Boom property both have conservation easements on them and are near water, which precludes the use of herbicides, so mowing is the best way to maintain them. Currently, corrections crews are used to hand trim the worst areas along the Logging Road Trail and there is no time to deal with the overgrowth of the Fish Eddy, Community Park, 19th Loop, or Regional Park area.

During the lean years of the recession there was no funding for the purchase of this equipment, but now some funds have accumulated in the Capital Reserve. The City must still keep staffing as low as possible in order to control ongoing costs, so the purchase of this type of equipment will serve to make the existing staffing level more efficient and productive. Using proper heavy equipment, a large amount of trimming can be done in a day with a crew of two, versus the small amount that can be done by a correction crew once a week by hand.

The tractor is also capable of utilizing other attachments that could be added later, such as a sweeper for the Logging Road Trail. This is a frequent request from citizens, but the Street sweeper cannot do an adequate job on the trail and is not available to work there more than once or twice a year.

Fiscal Impact:

The additional \$32,900 can be taken from the Parks Restoration fund (\$21,400), and \$11,500 combined that is left over from the capital projects done in city buildings this past year and not needed further for those projects.

*Approved for
placement on Council
Agenda for 9-6-06*

*City Hall
&
Police Department
project*

[Signature]

ORDINANCE NO. 1221

AN ORDINANCE AUTHORIZING THE PURCHASE FROM WESTERN POWER & EQUIPMENT OF PORTLAND, OREGON FOR ONE (1) JOHN DEERE 6420 4 WD TRACTOR WITH A TIGER TBF-50RS BOOM FLAIL MOWER; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Canby wishes to purchase one (1) used John Deere 6420 4 WD Tractor with a Tiger TBF-50RS Boom Flail Mower for the Parks Department; and

WHEREAS, the cost of the vehicle and equipment will be paid out of the Capital Reserves account for the fiscal year 2006-2007 budget; and

WHEREAS, in accordance with ORS Chapter 279 and Canby Public Purchasing Rules as set forth in Ordinance No. 1170 and Resolution No. 897, the city may purchase used property without formal written quotes if it's determined that the purchase will result in cost savings to the city and will not diminish competition or encourage favoritism;

WHEREAS, Western Power & Equipment of Portland, Oregon submitted the quote of \$87,900.00 for one (1) used John Deer Tractor and Boom Flail Mower; and

WHEREAS, the City Council meeting and acting as the Contract Review Board for the City of Canby has reviewed this quote, reviewed the staff report and finds that the purchase will result in cost savings to the city and will not diminish competition or encourage favoritism and therefore that it is in the best interest of the City to purchase this tractor and mower from Western Power & Equipment; now therefore

THE CITY OF CANBY ORDAINS AS FOLLOWS:

Section 1. The Mayor and City Administrator are hereby authorized and directed to make, execute and declare in the name of the City of Canby and on its behalf, an appropriate purchase contract with Western Power & Equipment of Portland, Oregon for the purchase of one (1) used John Deer Tractor and Boom Flail Mower for the quoted amount of \$87,900.00.

Section 2. In so much as it is in the best interest of the citizens of the City of Canby, Oregon to provide the Parks Department with this vehicle without further delay, and to better serve the citizens of Canby, an emergency is hereby declared to exist and this ordinance shall therefore take effect immediately upon its enactment after final reading.

SUBMITTED to the Canby City Council and read the first time at a regular meeting thereof on September 6, 2006, and ordered posted in three (3) public and conspicuous places in the City of Canby as specified in the Canby City Charter and to come before the City Council for final reading and action at a regular meeting thereof on September 20, 2006, commencing at the hour of 7:30 P.M. in the Council Meeting Chambers at Canby City Hall in Canby, Oregon.

Kimberly Scheafer
City Recorder - Pro Tem

PASSED on second and final reading by the Canby City Council at a regular meeting thereof on the 20th day of September 2006, by the following vote:

YEAS _____

NAYS _____

Melody Thompson, Mayor

ATTEST:

Kimberly Scheafer,
City Recorder - Pro Tem

DATE: August 28, 2006

MEMO TO: Honorable Mayor Thompson and City Councilors

Through: Mark Adcock, City Administrator

FROM: Beth Saul, Library and Parks Director

RE: Pool roof recoating ordinance

Issue:

As part of the approved capital projects in the Swim Center levy, staff plans to recoat the foam roof over the pool during the fall maintenance closure. The attached ordinance authorizes a contract with AAI Weatherization, Inc. of Oakridge, Oregon for the low bid of \$16,550.

Background:

This project was planned for as part of the needed capital maintenance in the Swim Center Levy. This project is separate from the unanticipated repair last year of the roof over the Swim Center office. The Swim Center staff received three bids and plan to have the recoating done as part of the usual fall maintenance. This project concludes the capital maintenance projects that were scheduled for the current levy which expires on June 30, 2007.

Recommendation:

Staff recommends passage of Ordinance No. 1222 authorizing the Mayor and City Administrator to execute a contract with AAI Weatherization, Inc. of Oakridge, Oregon for recoating the foam roof at the Canby Swim Center; and declaring an emergency.

Budget Impact:

This project was budgeted and approved in the City of Canby Swim Center Levy.

ORDINANCE NO. 1222

AN ORDINANCE AUTHORIZING THE MAYOR AND CITY ADMINISTRATOR TO EXECUTE A CONTRACT WITH AAI WEATHERIZATION, INC. OF OAKRIDGE, OREGON FOR RECOATING THE FOAM ROOF AT THE CANBY SWIM CENTER; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Canby wishes to repair and recoat the foam roof above the pool at the Canby Swim Center; and

WHEREAS, the cost to recoat the roof will be paid by the City of Canby Swim Center Levy fund, which has budgeted said purchase for the fiscal year 2006-2007 budget; and

WHEREAS, in accordance with ORS Chapter 279 and Canby Public Purchasing Rules as set forth in Ordinance No. 1170 and Resolution No. 897, three written bids were obtained for the recoating of the Swim Center roof as follows:

- | | |
|--|-------------|
| 1. AAI Weatherization, Inc. of Oakridge, Oregon | \$16,550.00 |
| 2. Evan House-Fine of Portland, Oregon | \$16,750.00 |
| 3. D and R Masonry Restoration, Inc. of Portland, Oregon | \$20,600.00 |

WHEREAS, AAI Weatherization, Inc., of Oakridge, Oregon submitted the lowest quote of \$16,550.00.

WHEREAS, the City Council meeting and acting as the Contract Review Board for the City of Canby has reviewed this quote, reviewed the staff report and believes it to be in the best interest of the City to enter into this contract; now therefore

THE CITY OF CANBY ORDAINS AS FOLLOWS:

Section 1. The Mayor and City Administrator are hereby authorized and directed to make, execute and declare in the name of the City of Canby and on its behalf, a contract with AAI Weatherization, Inc., of Oakridge, Oregon for the roof recoating at the Canby Swim Center for the quoted amount of \$16,550.00.

Section 2. In so much as it is in the best interest of the citizens of the City of Canby, Oregon to replace the roof at the Canby Swim Center without further delay, and to better serve the citizens of Canby, an emergency is hereby declared to exist and this ordinance shall therefore take effect immediately upon its enactment after final reading.

SUBMITTED to the Canby City Council and read the first time at a regular meeting thereof on September 6, 2006, and ordered posted in three (3) public and conspicuous places in the City of Canby as specified in the Canby City Charter and to come before the City Council for final reading and action at a regular meeting thereof on September 20, 2006, commencing at the hour of 7:30 P.M. in the Council Meeting Chambers at Canby City hall in Canby, Oregon.

Kimberly Scheafer
City Recorder - Pro Tem

PASSED on second and final reading by the Canby City Council at a regular meeting thereof on the 20th day of September, 2006, by the following vote:

YEAS _____

NAYS _____

Melody Thompson, Mayor

ATTEST:

Kimberly Scheafer,
City Recorder - Pro Tem

**PROPOSAL TO DOCUMENT
AND EVALUATE

THE INTERNAL CONTROLS
OVER CASH
RECEIPTS AND DISBURSEMENTS

FOR THE

CITY OF CANBY, OR**

**MERINA
& COMPANY, LLP**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

5499 AMY STREET • WEST LINN, OR 97068
PHONE: (503) 723-0300 • FAX: (503) 723-9946 • WWW.MERINACPAS.COM

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August 21, 2006

Ms. Chaunee Seifried
Finance Director
City of Canby
182 N. Holly Street
Canby, OR 97013

Dear Chaunee,

Merina & Company, LLP (MCO) is pleased to present this proposal to document and evaluate internal controls over cash receipts and disbursements at the City of Canby. We will demonstrate in this proposal that we have the experience and qualifications to provide these services in an efficient and cost effective manner.

Merina & Company thoroughly understands risk assessment and internal controls. Our objective in this engagement will be to identify and document the types and materiality of risks related to cash, and the key internal controls to mitigate the identified risks.

We would also like to take this opportunity to distinguish the work we would perform under this engagement from that performed in an audit. An audit covers the entire range of activities performed by the City. Accordingly, in order to be cost effective, audits are performed at a relatively high level, involve samples of activities, and touch upon only those aspects of financial reporting that may materially affect the City's financial statements.

An evaluation of the type contemplated in this proposal is directly opposite. It is intently focused on just a couple of activities and explores those areas in significant detail. Rarely are sampling techniques used. As noted on page three, if a control deficiency is noted we will dig further to determine if a loss to the City may have resulted.

We believe Merina & Company is the best choice for three primary reasons.

First, Merina & Company specializes in providing auditing, reviewing, consulting, and accounting services of general government, regulatory, and not-for-profit agencies of all types. This includes external financial and performance audits as well providing internal audit services to agencies that choose to outsource that function. A risk assessment is the starting point for an internal audit activity.

Second, we are one of only five firms pre-approved by the Oregon Department of Administrative Services to provide internal audit services to state agencies. This provides corroborative evidence of our expertise and ability to perform the work.

Third, is our availability. We are exceptionally proud of our record of long-term relationships with our clients. Being a local firm located in the same City for 27 years attests to our stability and knowledge of local and regional conditions.

We sincerely appreciate the opportunity to propose on this engagement and trust this proposal is responsive to your requirements. This proposal is effective for 90 days from the date of submittal. John Merina, who is authorized to represent Merina & Company and to bind the firm in a personal services contract, signs this proposal.

Sincerely,

J W Merina

John Merina, CPA

Managing Partner

Merina & Company, LLP

Certified Public Accountants and Consultants

Proposal to Document and Evaluate Internal Controls
Over Cash Receipts and Disbursements

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Proposal to Document and Evaluate Internal Controls

Over Cash Receipts and Disbursements

Engagement Overview

The purpose of a review of internal controls is to provide the information necessary for an entity to manage its risk footprint within its risk appetite. The risks categories of risk are typically:

- Strategic
- Operations
- Compliance, and
- Financial reporting

*This will allow the City to understand its risks, the consequences of not controlling those risks, and **establish proof of having addressed risk**. It will also provide a point of beginning for future risk monitoring.*

In this engagement we will be concerned with the operations and financial reporting risk categories. We will document and evaluate controls over cash receipts and disbursements in the City's various Departments.

Our work and procedures are based on the widely-recognized risk assessment and internal audit Standards promulgated by the Institute of Internal Auditors (IIA). Following those Standards, we will begin the engagement with an assessment the City's operating environment and internal control structure in the designated department.

We follow the IIA approach because it best assures a balanced and integrated approach. The IIA Standards implement major portions of the Government Auditing Standards published by the Government Accountability Office (GAO) in its "Yellow Book." In addition, the Standards implement the internal control review "Framework" published by the Committee of Sponsoring Organizations of the Treadway Fund (COSO).

Both the engagement manager and engagement partner are long-time members of the IIA and have performed similar engagements under these Standards. We thoroughly understand risk assessment and its importance to an organization. We have developed a respected practice in conducting external quality assurance and compliance reviews of internal audit units that operate under the Standards which includes evaluations of their risk assessments.

The project manager of this engagement has performed management, performance, and internal reviews under GAO standards for over 19 years at the state and county levels.

Planning Considerations

In this section we will describe the Merina & Company's approach to this review.

- Gather information about the City and its operating environment that has a bearing on key risks and its management.
 - Issues in the environment in which the City operates
 - Departmental operations
 - Financial reporting practices
 - Technology

Proposal to Document and Evaluate Internal Controls

Over Cash Receipts and Disbursements

- Information about City's organization and operating characteristics
- The extent of management oversight of internal controls
- The effect of recent changes, if any, in operations, management structure, key personnel, or internal controls
- The volume of transactions and their relative complexity
- Develop a preliminary understanding of the evidence available to perform the assessment:
 - Previous comments or reports on internal controls, from external reviewers and oversight bodies
 - Documentation of Internal controls
 - The status of:
 - The overall control environment
 - Risk assessment procedures in use
 - Control procedures and activities
 - Internal communications related to control activities
 - Systems for monitoring resource inputs and service outputs
- In conjunction with City management, develop the review program:
 - Tailor the review program to the specific risks and requirements of the City
 - Define review procedures, considering agency needs and its environment, to best implement IIA review Standards

General Approach

While each of the functional areas examined has its own unique risks and control issues, certain procedures will be common. These are expected to be:

- Collect and document information about accounts in the specified areas:
 - Size and composition
 - Susceptibility of loss to error or fraud
 - Potential magnitude of loss
 - Volume of activity, complexity, and homogeneity of the account's transactions
 - The nature of the account (for instance suspense accounts usually warrant greater attention)
 - Accounting and reporting complexities
 - Existence of related-party transactions
 - Changes in the preceding account characteristics from prior periods
- Perform a walk-through of the most significant transaction classes in the accounts, including:
 - High exposure accounts

Proposal to Document and Evaluate Internal Controls

Over Cash Receipts and Disbursements

- High volume accounts
 - Highly complex accounts
 - The walk-thru should encompass the entire transaction process of:
 - Initiating
 - Authorizing
 - Recording
 - Processing
 - Reporting
 - Document evidence that previously identified controls have (or have not) implemented
 - Obtain samples of relevant cases and transactions
- Documentation of the existing internal control structure:
- Determine whether or not controls are responsive to identified risks
 - Determine whether or not the personnel executing controls possess the necessary authority and qualifications to perform the work effectively
 - Using the following types of procedures
 - Interviews with those performing the work
 - Review procedures and documentation of internal controls
 - Observe controls being performed at different points in time
- Evaluate the nature and impact of identified control deficiencies:
- Deficiencies in design, such as:
 - A required control is missing, or
 - An existing control is improperly designed and/or implemented and does not provide an adequate safeguard
 - Determine if there are compensating controls
 - Estimate the significance (potential fiscal or operational impacts) of the deficiency, considering:
 - The potential for loss or abuse
 - The likelihood a deficiency will cause a misstatement
 - The magnitude of the potential misstatement
 - The potential that corrective work will have performed
 - Potential harm to City's customer service operations
 - Potential harm to City's reputation

Conclude the Engagement

- Form an opinion on control(s) effectiveness
- Discuss any areas where controls could be added or improved to enhance the City's effectiveness, efficiency, and compliance
- Formulate recommendations for improving the system of internal controls

Proposal to Document and Evaluate Internal Controls

Over Cash Receipts and Disbursements

- Prepare the review report including the above concluding elements
- Review the draft report with CITY management; integrate comments received into a final report.

Deliverables

At the conclusion of this engagement we will provide the CITY with:

- Documentation of the existing internal controls in Finance
- A risk footprint which assigns an impact and probability measure to identified risks
- A compilation of internal control strengths and weaknesses
- Recommendations for future strengthening of internal controls

Fee Estimate

We have developed our fee estimate based on recent experience with engagements of similar size and scope. We also considered our direct knowledge of Oregon cities. We have concluded that based on the amount of internal control testing our fees will be \$14,500 for this project. Our experience with internal control evaluations is that they are staff intensive assuming adequate oversight by the firm's supervisors and management.

In the event the City would want to utilize MCO for other aspects of improving internal controls and related documentation our billing rates are:

Position	Hourly Rate
Partner	\$165
Manager	\$125
Senior Accountant	\$100
Staff Accountant	\$ 80
Clerical	\$ 40

Closing

The outline of our proposed approach reflects Merina & Company's experience in reviewing internal controls. The approach is proven to achieve a high quality and efficient review.

We sincerely appreciate the opportunity to propose on this engagement and trust this proposal is responsive to the City's requirements. Thank you for considering Merina & Company and please call on us anytime for assistance.