



CITY OF CALLAWAY, FLORIDA
CITY HALL
 6601 East Highway 22, Callaway, FL 32404
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 www.cityofcallaway.com

Mayor
 Thomas W. Abbott

Commissioners
 Dennis A. DeLapp
 Pamn Henderson
 David Otano
 Ralph L. Hollister

NOTICE OF MEETING
 CALLAWAY AUDIT COMMITTEE
 AUDIT COMMITTEE MEETING
 SEPTEMBER 12, 2012 - 6:00 P.M.
 CALLAWAY ARTS & CONFERENCE CENTER
 500 CALLAWAY PARK WAY, CALLAWAY, FL 32404

William Castor Pamn Henderson John L'Heureux Shelley McKinney Doug Smith

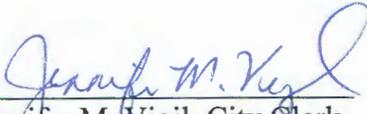
AGENDA

CALL TO ORDER
 ROLL CALL
 APPROVAL OF MINUTES – June 18, 2012

BUSINESS ITEMS:

- ITEM #1 Election of New Chairperson

- ITEM #2 Status of Investigative Audit Via Telephone Conference –
 Ms. Tammy McGaughy, Warren Averett O'Sullivan Creel


 Jennifer M. Vigil, City Clerk

If a person decides to appeal any decision made by the City Commission with respect to any matter considered at the meeting, if an appeal is available, such person will need a record of the proceeding and such person may need to ensure that a verbatim record of the proceeding is made, which record includes the testimony and evidence upon which the appeal is to be based. Any person requiring a special accommodation at this meeting because of a disability or physical impairment should contact Jennifer M. Vigil, Callaway City Clerk, at 6601 E. Highway 22, Callaway, Florida 32404; or by phone at (850)871-6000 at least five calendar days prior to the meeting.

If you are hearing or speech impaired, and you possess TDD equipment, you may contact the City Clerk using the Florida Dual Party Relay System, which can be reached at 1-800-955-8770(Voice) or 1-800-955-7661(TDD).

Fire Department
 P: 850-871-2753
 F: 850-871-5564

Leisure Services
 P: 850-874-0031
 F: 850-874-9977

Planning / Code Enforcement
 P: 850-871-4672
 F: 850-871-2404

Public Works
 P: 850-871-1033
 F: 850-871-2416

Arts & Conference Center
 P: 850-874-0035
 F: 850-874-0706

CALLAWAY AUDIT COMMITTEE MEETING
JUNE 18, 2012
TIME: 6:00 P.M.

Called to order by Chairperson Henderson at 6:00 P.M.

ROLL-CALL – PRESENT: Chairperson Pam Henderson, Harry Johnson, Doug Smith, and Linda Schwartz

ALSO PRESENT: Alice Bennett, Sandra Hirth, Melba Covey (Callaway Citizen)

APPROVAL OF MINUTES:

Due to a request for clarification from Chairperson Henderson regarding information in the Minutes, the approval/disapproval of the Minutes will be delayed until after Business Item #1.

BUSINESS ITEMS

#1 - REVIEW PROPOSALS FOR INVESTIGATIVE AUDITOR

Chairperson Henderson discussed her findings regarding her attempt to locate a forensic auditor who is familiar with governmental accounting. She contacted Tipton, Marler, Garner and Chastain who stated they would like to do the research but could not since it would touch on the sewer portion of the City's accounts (they are the Advanced Wastewater Treatment auditors for Bay County). She also contacted Mr. Jerry Sewell who agreed to do the research for \$245/hour but stated he would need to review it to see if would be able to complete the request since he is not familiar with governmental accounting. Chairperson Henderson, as a last resort, contacted Warren Averett O'Sullivan Creel to see if they could recommend an auditing firm. They have an auditor, Ms. Tammy McGaughy, who specializes in this type investigation and her fee is \$200/hour. Chairperson Henderson was also informed by Angela Balent from Warren Averett O'Sullivan Creel that Ms. McGaughy has never been involved in Callaway's auditing process.

She asked if the Committee felt they could approve using this firm even though it was stated in the May 30, 2012, meeting that we should seek firms other than Carr Riggs Ingram and Warren Averett O'Sullivan Creel (who does the City's audit)? After a brief discussion, the Committee agreed that Warren Averett O'Sullivan Creel had the best rate and had an auditor who specialized in this type investigation.

Doug Smith stated he is concerned about the cost of this project. Linda Schwartz said she felt it could possibly cost between \$20-40,000. She also asked what bank was used during the time period of this issue and was told

People's First which is no longer in business. Chairperson Henderson believes since there is so little information, the issue may come down to interviews.

CALLAWAY AUDIT COMMITTEE MEETING

JUNE 18, 2012

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Director of Finance, Alice Bennett, said it will depend on what papers CRI will release but she thinks they would probably be more likely to release more papers to our auditor of record. Audience member Melba Covey asked why would CRI hesitate to release the papers, did the City destroy the records and did the City Manager follow through when notified about this issue? Ms. Bennett replied they (CRI or any auditing firm) are not required to release their own work papers. She also stated they (CRI) did a lot of the calculations themselves and had already given her some of the paperwork. As far as follow through by the City Manager, Chairperson Henderson, per previous discussions, stated when Mrs. Whitis was notified, she immediately picked up the phone and called CRI for an explanation. The Committee continued to discuss various parts of the issue regarding whether or not cash was missing, what entries were or were not made, who can be interviewed, etc. Ms. Covey was concerned that the "computer glitch" explanation has only recently surfaced, years after the problem was discovered.

Chairperson Henderson stated the Commission needs a recommendation from the Audit Committee which will be placed on the June 12, 2012, Regular Commission agenda.

Linda Schwartz moved to accept, as the Committee's choice, Ms. Tammy McGaughy from Warren Averett O'Sullivan Creel to do a specific forensic audit and to see if she can get assistance from CRI to help shed light on this issue. Motion was seconded by Doug Smith. All ayes.

APPROVAL OF MINUTES:

Doug Smith moved to approve the Minutes from the May 30, 2012, Audit Committee meeting with a typographical error correction. Motion was seconded by Linda Schwartz. All ayes.

#2 - AUDITOR SELECTION AND REFERRAL TO CITY COMMISSION

Harry Johnson stated he feels \$5,000 would be the maximum amount the City should spend to look into this matter. He said that by that point the Committee would have reviewed whatever had been found in the investigation and would be able to decide whether or not to make another recommendation to the Commission.

The Committee agreed to request that weekly progress reports be sent to the Audit Committee. After reviewing the progress report/s, the Audit Committee may

CALLAWAY AUDIT COMMITTEE MEETING
JUNE 18, 2012
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decide to recommend cancellation of the Agreement/investigation to the Commission prior to expending the maximum of \$5,000.

Harry Johnson moved to recommend to the Commission that we use Warren Averett O'Sullivan Creel as the forensic auditor at a rate of \$200/per hour with no more than \$5,000 expended, to request weekly progress reports from the auditor to be shared with the Commission and to further recommend to the Commission, if it is determined the benefit to the City does not warrant further investigation, the City may cancel the Agreement at that time. The motion was seconded by Linda Schwartz. All ayes.

Motion to adjourn the meeting was made by Doug Smith. Motion was seconded by Linda Schwartz. Meeting adjourned at 7:42 P.M.

Sandra B. Hirth, Assistant to the City Manager

**City of Callaway Audit Committee
Agenda Item Summary**

September 12, 2012

Election of Audit Committee Chairperson

1. PLACED ON AGENDA BY:

Audit Committee's Secretary

2. AGENDA:

PRESENTATION	<input type="checkbox"/>
PUBLIC HEARING	<input type="checkbox"/>
CONSENT	<input type="checkbox"/>
REGULAR	<input checked="" type="checkbox"/>

3. IS THIS ITEM BUDGETED (IF APPLICABLE)?: Yes No

4. BACKGROUND: (WHY, WHAT, WHO, WHERE, WHEN, HOW, & IDENTIFY ALL ATTACHMENTS)

THE PREVIOUS AUDIT COMMITTEE'S TERMS EXPIRED ON AUGUST 31, 2012. THE CALLAWAY CITY COMMISSION HAS NAMED COMMISSIONER PAMN HENDERSON AS THEIR REPRESENTATIVE ON THE COMMITTEE AS WELL AS ACCEPTING DOUG SMITH FROM PUBLIC WORKS (WHO RE-APPLIED FOR MEMBERSHIP) AS THE EMPLOYEE REPRESENTATIVE. THE COMMISSION ACCEPTED APPLICATIONS FROM CITIZENS AND THREE CITIZENS WERE SELECTED. THEY WERE: WILLIAM CASTOR, JOHN L'HEUREUX AND SHELLEY MCKINNEY.

5. REQUESTED MOTION/ACTION:

Receive nominations and vote on a Chairperson for the Audit Committee.

**City of Callaway Audit Committee
Agenda Item Summary**

September 12, 2012

Telephone Conference With Forensic Auditor For Report on Investigation

1. PLACED ON AGENDA BY:

2. AGENDA:

- PRESENTATION
- PUBLIC HEARING
- CONSENT
- REGULAR

3. IS THIS ITEM BUDGETED (IF APPLICABLE)?: Yes No

4. BACKGROUND: (WHY, WHAT, WHO, WHERE, WHEN, HOW, & IDENTIFY ALL ATTACHMENTS)

MS. TAMMY MCGAUGHY FROM WARREN AVERETT O'SULLIVAN CREEL WAS HIRED BY THE COMMISSION TO CONDUCT AN INVESTIGATION INTO AN ISSUE FROM SEVERAL YEARS AGO. SHE HAS BEEN GATHERING DOCUMENTS FOR SEVERAL WEEKS AND WILL BE SENDING A "DRAFT" REPORT FOR REVIEW BY THE AUDIT COMMITTEE AS SOON AS IT IS COMPLETED.

5. REQUESTED MOTION/ACTION:

Audit Committee to discuss the information gathered and someone will be designated to make a report to the Commission.