



**CITY OF CALLAWAY, FLORIDA**  
CITY HALL  
6601 East Highway 22, Callaway, FL 32404  
Phone 850-871-6000 • FAX 850-871-2444  
www.cityofcallaway.com

**Mayor**  
Thomas W. Abbott

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

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**NOTICE OF MEETING**  
CALLAWAY AUDIT COMMITTEE  
AUDIT COMMITTEE MEETING  
THURSDAY, OCTOBER 25, 2012 – 6:00 P.M.  
CALLAWAY ARTS & CONFERENCE CENTER  
500 CALLAWAY PARK WAY, CALLAWAY, FL 32404

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

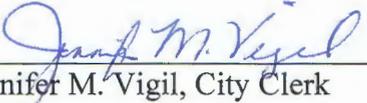
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**AGENDA**

CALL TO ORDER  
ROLL CALL  
APPROVAL OF MINUTES – October 2, 2012

**BUSINESS ITEMS:**

- ITEM #1      Discussion of the FY12 Audit Plan with PowerPoint Presentation  
                 – Angela Balent, Warren Averett, O'Sullivan Creel
- ITEM #2      Development of Procedure for Reporting Suspected Fraud for Commission Approval  
                 - Commissioner Pamn Henderson

  
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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, FL 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).

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**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**

**October 2, 2012**

**TIME: 6:00 P.M.**

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

ROLL-CALL – PRESENT: Shelley McKinney, Bill Castor, Pamn Henderson,  
John L’Heureux, Doug Smith

ALSO PRESENT: Sandra Hirth

**APPROVAL OF MINUTES:**

Commissioner Henderson moved to approve the Audit Committee meeting minutes from the September 12, 2012, meeting. Motion was seconded by Bill Castor.

All ayes

**BUSINESS ITEMS**

**#1 - REVIEW OF FINAL REPORT SUBMITTED BY MS. TAMMY MCGAUGHY, FORENSIC AUDITOR, WARREN AVERETT O’SULLIVAN CREEL**

Chairperson McKinney asked if everyone had reviewed the Final Report. All members stated they had reviewed the Report. Chairperson McKinney stated she found it to be accurate and included all the requested information on the chart on page three. Doug Smith moved to accept the Final Report as submitted by Tammy McGaughy from Warren Averett O’Sullivan Creel. Motion was seconded by John L’Heureux.

All ayes

**#2 - DISCUSSION OF FINAL REPORT SUMMARY PRESENTATION TO THE CALLAWAY BOARD OF COMMISSIONERS**

Chairperson McKinney distributed a “draft” of her proposed presentation to the Commission on Tuesday, October 9, 2012 and asked for comments and requests for revisions/additions.

Commissioner Henderson asked that a statement be added to the third paragraph after the sentence ending in “improprieties”. She would like to have it stated that it was the forensic auditor’s opinion that she did not feel there was any cash missing. Chairperson McKinney asked that a statement be added to the second paragraph that states this problem began with a lack of understanding of the system. The consensus of the Committee was to add the two above statements to the presentation. Vice Chairperson L’Heureux felt the third paragraph should be moved to the beginning of the presentation. Bill Castor moved to accept the Final Report with the added statements from Commissioner

Henderson and Chairperson McKinney. Motion was seconded by Commissioner Henderson.

All ayes

Chairperson McKinney asked to add an item to the agenda and received no objections. The item was: Should employees have a direct line to the City's auditors to report directly to them any impropriety they may have knowledge of or see? Mr. Castor stated that per the Personnel Manual, employees are not supposed to talk to citizens or the Commission. Mr. David Griggs, audience member, stated the function of the Audit Committee was to select the City's auditors and other duties as defined in the recent Resolution only. Commissioner Henderson said she would put this issue on the October 23<sup>rd</sup> agenda for the Commission to discuss regarding employees who need to report fraud or improprieties. Ms. Melba Covey, audience member, said she understands the Audit Committee's duties are defined by the Commission and that some thought needs to be put into this issue due to Callaway having a City Manager style of government.

Chairperson McKinney stated if an employee has concerns (fraud/misconduct only, not harassment, discrimination, issues with their supervisors, etc.) there should be a procedure to investigate these type reports. She appreciates Commissioner Henderson offering to place it on the agenda to define the responsibilities of the Audit Committee regarding fraud/misconduct so that it is spelled out how the Commission wants these type issues handled.

Mr. John Malone, audience member, shared his previous experience with the issue reported on by the forensic auditor and stated that he agrees with the auditor. He stated the auditors found the accounts were not balanced in 2003 and then in 2004 they were balanced without telling how they were balanced. He further stated that he asked the Commission in 2007 if they had reviewed the auditor's report and only two of them reported they had. Mr. Malone feels there is a lack of control not only at the staff level but the Commission as well. He stated he is glad we have a decent auditor now. He feels the Audit Committee needs to get more involved than just selecting the auditor and they should use the power the State has given to Audit Committees.

Ms. Melba Covey stated she was concerned that Chairperson McKinney did not make a report at the last Commission meeting regarding the teleconference between the Audit Committee and the forensic auditor. Chairperson McKinney stated she probably should have withdrawn the agenda item since she said she did not have the Final Report only a "draft". She did not want the Commission or citizens to be confused if there happened to have been changes from the "Draft Report" to the Final Report.

Mr. Griggs commented that it was good that she at least stood up and explained why there would be no report. He stated he heard everything that was said at

the teleconference meeting and others could have heard it also if they had wanted to do so.

There being no further business, the meeting was adjourned at 6:38 P.M.

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Sandra B. Hirth, Assistant to the City Manager

DRAFT

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

October 25, 2012

FY12 Audit Plan Discussion with Warren Averett O' Sullivan Creel

**1. PLACED ON AGENDA BY:**

Chairperson McKinney

**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

N/A

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

The City's Auditing firm, Warren Averett O'Sullivan Creel, has requested to meet with the Audit Committee in order to discuss the FY12 audit plan. Ms. Angela Balent will be leading the discussion and has a PowerPoint presentation.

**5. REQUESTED MOTION/ACTION:**

Motion/Action not required

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

October 25, 2012

Development of Procedure for Reporting Suspected Fraud for Commission Approval

**1. PLACED ON AGENDA BY:**

Commissioner Henderson

**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

N/A

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

Past audit committees have discussed setting up a procedure for employees to report suspected fraud and the need to have a policy in place so all employees know who they need to report any suspected fraud to.

The current Audit Committee discussed this at length at the October 2, 2012, meeting and asked that Commissioner Henderson request at the October 23, 2012 Regular Commission meeting if the Commission wanted the Audit Committee to develop the procedure with guidance from our auditing firm. If assigned the task, the Audit Committee will prepare a draft policy and present to the City Commission for approval and incorporation in the Employee Personnel Policy Manual.

**5. REQUESTED MOTION/ACTION:**

If the task is assigned, the Audit Committee will develop a procedure that will enable employees to report suspected fraud; if the task is not assigned, the Audit Committee should pull this item from the agenda.