

CALLAWAY AUDIT COMMITTEE MEETING

February 27, 2013

TIME: 5:00 P.M.

Called to order by Chairperson McKinney at 5:00 P.M.

ROLL-CALL – PRESENT: Shelley McKinney, John L'Heureux, Doug Smith

MEMBER/S ABSENT: Bill Castor, Commissioner Pamn Henderson

ALSO PRESENT: Sandra Hirth

APPROVAL OF MINUTES:

Doug Smith moved to approve the Audit Committee meeting minutes of December 13, 2012. John L'Heureux moved to second the motion.

All ayes

Bill Castor – Absent

Pamn Henderson - Absent

BUSINESS ITEMS:

ITEM #1 REVIEW DRAFT FY12 AUDIT – ANGELA BALENT, WARREN AVERETT

Ms. Balent distributed 2012 Audit Results Presentation information to the members. She explained the need for an A133 single audit due to the City receiving more than \$500,000.00 in grants. This audit is in addition to the regular City audit. They noted no deficiencies in internal control over compliance for the three audited grants – Community Development Block Grant, Energy Efficiency Conservation Block Grant (ARRA), and DOT – Highway Planning and Construction Grant (ARRA). She explained the Sandy Creek Special Assessment final legal opinion was not received until after year end (December, 2012) so it will be shown in the FY13 receivables. They reviewed the City's most sensitive estimates to the financial statements – the investment in Florida Small Business Administration Pooled Cash Fund B which has a balance as of September 30, 2012 of \$299,851 which is less than the \$304,000 from FY 11. The auditors proposed two audit adjustments – one for \$22,000 and the other for \$14,000. These were not significant and therefore will not have a Comment made.

Ms. Balent was pleased to announce they had no disagreements with management during the course of the audit. There were no fraud or illegal acts that they became aware of during the audit. She stated that management did a commendable job in preparing for the audit. There were no instances of material weaknesses or significant deficiencies in internal control over financial reporting and compliance, or in internal control over major federal programs and compliance.

They had three recommendations to management. 1) Develop a debt service strategy and perform an analysis of rates in the Water and Sewer Funds. The City's response to this recommendation is to continue to focus on debt management by searching ways to reduce spending through early payoff of loans thereby reducing the annual debt payments. These savings can be redirected to make annual and advance payments on remaining

debt ; 2) Strengthen the anti-fraud program by adopting periodic documented fraud risk assessments, a written response plan, training for committee and City employees on warning signs of fraud and a policy for reporting fraud with knowledge given regarding the whistleblower policy. The City's Audit Committee with assistance from the City Manager developed a written Fraud Reporting Policy. The Policy was approved by the City Commission in January, 2013 and mandatory training was implemented in February, 2013.; and 3) The need to document control risk assessment (key business processes) regarding what could go wrong, strategizing on this and to identify the most important issue that could happen. The City would then re-examine internal controls, write them down with their pros and cons for documentation.

Ms. Balent said the City has a good, solid General Fund balance in these economic times. She stated there is a net loss in the Enterprise Funds due to the Water account. She said the City is in overall good financial condition, we just need a long term debt payment plan.

With regard to reporting fraud, she stated there is an on-line site, Red Flag Reporting, that allows reporting a suspected fraud situation that other entities are using that may be something we would be interested in checking out. She will get the information to Chairman McKinney.

The Audit Committee members actively pursued information with regard to issues that Ms. Balent brought up throughout her presentation. Ms. Balent answered all questions thoroughly and complimented the Committee members for their interaction during this briefing. She asked that she be placed on the March 12, 2013, Regular Commission Agenda for a presentation of the audit to the Commission.

Doug Smith made a motion to approve the Draft FY12 Audit. John L'Heureux seconded the motion.

All ayes
Bill Castor – Absent
Pamn Henderson – Absent

ITEM #2 DISCUSSION OF RFP (REQUESTS FOR PROPOSALS) FOR AUDITING SERVICES – CHAIRMAN MCKINNEY

Chairman McKinney said Resolution 12-20 states the Callaway Audit Committee “may” be tasked with recommending an auditor. Due to this wording, she will ask City Manager Collins to place her on the agenda to address the Commission regarding their wishes in this area. After a discussion, it was thought that the intent of the Florida Statute was the selection of an auditor is the primary duty of an Audit Committee.

Chairman McKinney discussed the 2010 RFP for Auditing Services with the members. She asked Sandy Hirth to send each Audit Committee member a copy of FS 218.391. Chairman McKinney believes this is the Florida Statute that addresses Audit Committees, their duties, requirements for auditors such as municipal experience, number of people in the auditing firm, location of the firm and various other criteria. She asked that each member review the statute and develop a draft scoring instrument for proposals and to bring it to the next Audit Committee meeting. With regard to the next Audit Committee meeting, Chairman McKinney would like to have another meeting as soon after the

Commission meeting on March 12th as possible. She asked that Sandy send out an email to the Committee members on February 28th, attach the FS 218.391 and ask who is available for a meeting on March 13 or March 14 and the earliest time they can meet. This meeting will be to develop the 2013 RFP for Auditing Services and the scoring instrument to be used to score the firms that apply.

There being no further business, Doug Smith moved to adjourn the meeting. John L'Heureux seconded the motion and the meeting was adjourned at 6:53 P.M.



Sandra B. Hirth, Assistant to the City Manager