

**AUDIT COMMITTEE MEETING
OCTOBER 8, 2008
TIME: 3:30 P. M.**

The meeting was called to order by Chairman Jones at 3:40 P. M.

PRESENT: Chairman Jones, City Attorney Duncan, City Manager Whitis, Public Works Director Adams, Citizen Pann Henderson, City Clerk Bernal.

ITEM #1. APPROVAL OF MINUTES: 10-1-08

City Attorney Duncan stated the Minutes of the 10-1-08 Meeting should be corrected with the "dash" in F.S.218-391 corrected to read F.S.281.391, then moved that they be approved with this correction. Second by Member Henderson.

All aye

ITEM # 2. AGENDA FORMAT AND MEETING PROCEDURES

City Attorney Duncan reviewed Resolution #08-01: Agenda Format and Meeting Procedures, noting they are very similar to the City Commission's procedures. He recommended approval and moved to approve Resolution #08-01. Second by Public Works Director Adams.

All aye

ITEM # 3. PRE-AUDIT ISSUES - CARR, RIGGS & INGRAM

Chairman Jones introduced Ms. Katherine Lynn, Engagement Partner with Carr, Rigg & Ingram, and stated Ms. Lynn was asked to be here to help us establish our roles in the upcoming audit. Ms. Lynn passed out information on the audit and advised the City would have a new engagement team this year and explained the Audit Committee Communication Process and stated the auditors would be meeting periodically with the chair of the committee and when relevant, the other members of the audit committee, mostly during the audit. City Manager Whitis explained the people who perform the audit have to have access to the Audit Committee as well as employees. Ms. Lynn advised they plan to be in the City in mid-November to begin the audit for FY07-08, asked which facilities would be provided for the auditors, and stated the auditors will get the product to the City as soon as they receive the Joint Venture Report from Bay County. She stated they are governed by SAS99 (Statement of Auditing Standards) on fraud inquiries and are responsible for relating any significant issues arising from the audit. Chairman Jones thanked Ms. Lynn for coming and providing information on the audit process.

ITEM # 4. REVIEW AUDITORS REPORT PROCESS FY-07

Finance Director Bennett provided a detailed report on the history of the audit for prior fiscal years and issues with balancing the Utility Billing subsidiary ledger, meetings held with the City Manager and subsequently the auditors about the issues discovered, stating that the audits for fiscal years '05 and '06 seemed to go rather smoothly. She provided information on FY-07 pointing out numerous problems and errors she discovered with this audit and stated we received a "corrected" management letter from the auditors which had to be sent to the Florida Auditor

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General. She summarized her report stating she feels the number of problems with the audit report for FY-07 were unacceptable and hopes that under Ms. Lynn's supervision, this year will produce a better performance.

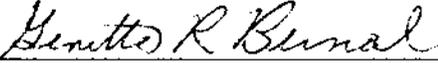
ITEM # 5. SCHEDULE NEXT MEETING

Chairman Jones asked if there were any concerns about the makeup of the Board. City Manager Whitis stated the only concern she has is about her being a member of the committee because of her responsibilities and oversight of all departments, including Finance. City Attorney Duncan stated he was most concerned about the City Manager being on the board and he also does not think he should be a member of the Audit Committee; he thinks the City's general counsel should be at these meetings and it would be difficult to be on the committee and also represent the City Commission's interests. City Manager Whitis tendered her resignation from the Committee stating she thinks it is the best thing to do. City Attorney Duncan also tendered his resignation and suggested a recommendation from the Chairman to request the Commission replace these two members with two elected officials as suggested by the auditor, with agreement from member Pam Henderson.

PUBLIC PARTICIPATION

1. Mr. David Griggs: Commented on the report given by the Finance Director, stating the City pays the auditing firm, the Finance Director shouldn't have to be dealing with the corrections; and had questions on the discrepancies in Utility Billing write-offs on bad debts in FY-04 and how the issue was handled. The City Manager stated when these discoveries were made, there was no corrective action to be taken since the person who was over the department had already left the City and no money was missing. She stated that Finance Director Bennett recommended having an audit committee and the recommendation was taken to the Commission; and Finance Director Bennett was very assertive with going to the firm and making them aware of what had occurred. The City Manager concluded by stating she thinks it is significant we still don't find there was a conspiracy between the auditor and the Finance Director, and there was never a discovery of any missing money.

There being no further business, Chairman Jones adjourned the meeting at 7:00 P.M.


Genette R. Bernal, City Clerk