

CALLAWAY AUDIT COMMITTEE WORKSHOP
APRIL 5, 2011
TIME: 6:00 P.M.

Called to order by Chairman Jones at 6:00 P.M.

ROLL CALL – PRESENT: Chairman Jones, Citizens - Harry Johnson, Pam Henderson, Linda Schwartz and Utilities Superintendent Smith

ALSO PRESENT: Angela Balent - O'Sullivan Creel, LLP, City Attorney
Obos and Assistant to the City Manager Hirth

Chairman Jones thanked Ms. Balent for coming to our meeting even though it's quite a distance for her to travel. He stated they would take a few minutes to review the minutes of the January 19, 2011, Audit Committee meeting since the Committee had not received them prior to the meeting.

Pam Henderson moved to approve the Audit Committee Minutes of January 19, 2011.
Second by Linda Schwartz.

All ayes

Chairman Jones asked each Committee Member for their thoughts on the auditing firm. It was the general consensus of the Committee that O'Sullivan Creel did a very thorough and well prepared audit for the City of Callaway. At this point, Chairman Jones asked each member of the Committee to relay their questions on the audit directly to Ms. Balent.

Questions/statements made by the Committee were:

- 1) When did O'Sullivan Creel receive the AWT audit? Ms. Balent stated it was received too late for them to meet the timelines of their agreement.
- 2) Should the City have reserve fund policies? Ms. Balent stated it is a good matter of practice to have one although there are many cities that do not. Chairman Jones stated it's an unwritten goal to have three months of the operating budget as a reserve fund. However, he does not want it felt that the City is holding onto Enterprise Fund monies and asked for assistance in writing the reserve fund policy for this specific fund also. Ms. Balent stated she would be glad to assist the Committee and could possibly return for a 30 minute session on the Enterprise Fund Reserve Fund Policy.
- 3) The Audit Committee was interested in GASB54 and whether or not the City has implemented these policies. Ms. Balent stated GASB54 is effective for the 2011 audit. She stated that GASB54 is more stringent in what you call reserves and the only way to have a specified amount is that it has be tied to something specific. Also, she said that GASB54 states we will be on a full accrual basis.

CALLAWAY AUDIT COMMITTEE WORKSHOP
APRIL 5, 2011
PAGE TWO

- 4) Salary allocation to the proper accounts was discussed. It was stated that some salaries are charged totally to one account when the position serves the entire City. Ms. Balent stated this had been discussed with the City Manager and Finance Director and that it's a good time to start planning for the proper allocation beginning with the FY12 budgeting process.
- 5) Upgrading of the City's IT processes was the next item discussed. Ms. Balent stated the comments on page 87 of our CAFR are not significant comments but these are ideally how they would like the City to plan for IT services.
- 6) The need to audit the garbage haulers was discussed. Ms. Balent stated that during the audit they looked at them on a monthly basis to see if anything looked unusual but it would be a good idea for there to be some type of internal audit of them during the year.
- 7) It was asked by a member if, for future reference, it would not be easier for the auditors if the RFQ's, purchase orders, etc. were put into a pdf format. Ms. Balent stated that changes to auditing software are very slow, however they would always need to pull real source information for auditing purposes and that pdf information can be modified.

There being no further questions, Chairman Jones asked that a formal out brief with the Commission be scheduled with O'Sullivan Creel. He also mentioned that the Audit Committee will present a letter to the Commission at the same meeting with their recommendations. Ms. Balent said they will be prepared for the April 26, 2011 Regular Commission meeting with a Power Point presentation on the audit findings which should take approximately one-half hour.

Ms. Balent, on behalf of the O'Sullivan Creel staff, extended their appreciation to Judy Whitis, Alice Bennett and all other personnel at City Hall for their understanding and assistance during the audit process.

Public Participation: Mr. John J. Malone, 707 Plantation Circle, Callaway, FL – Mr. Malone thanked Ms. Balent and the O'Sullivan Creel firm for doing a very good audit. He stated this audit was the best since he's been attending the meetings for the last six years.

Chairman Jones said he would prepare a draft letter to the Commission and send it to Ms. Hirth for distribution to the Audit Committee members. He asked that they give their comments to Ms. Hirth and she will contact him for revision purposes. He noted the areas to be covered in the letter were their overall impression of the auditing firm as well as their recommendations. The recommendations are:

- 1) Send a letter to the Bay County Commission regarding the lateness of the City's receipt of the AWT audit.

CALLAWAY AUDIT COMMITTEE WORKSHOP

April 5, 2011

PAGE THREE

- 2) The need for a formal written General Fund Reserve Policy. (Ms. Balent agreed to come back and assist the Audit Committee on a Enterprise Fund Reserve Policy.)
- 3) The need for auditing the garbage haulers. Recommend auditing one firm per quarter.
- 4) Check cost allocations on positions to be sure the salary is charged to the correct funding source as it relates to the duties/responsibilities of the position. It was asked by a member that no consultant be used to develop the allocation. (It was later noted this was addressed in the CAFR on page 89 therefore it will be mentioned in the letter but not included as a recommendation.)
- 5) Develop an IT plan to upgrade software/hardware. (IT was discussed in depth on pages 87-88 in the CAFR therefore it will be mentioned in the letter but not written as a recommendation.)

There being no further business, Ms Henderson moved to adjourn the meeting at 7:05 P.M.



Sandra B. Hirth
Assistant to the City Manager