

Meeting Minutes

Audit Committee

Monday, December 13, 2010
3:00 p.m.

1. Opening Remarks/Roll Call

Chairman Williams called the meeting to order at 3:00p.m.

Present:

Rick Williams, Chairman

Preston Edwards

Absent:

Barbara Chick

Staff:

Bill Dollar

George Kauffman

Craig Hametner

Jed Johnson

David Schuler

Greg Vetrano

Bryan Bradford

Elizabeth Morales

Michelle Taylor

Christian Thony

Steve Anderson

Mark Samuels

Visitor

Terry Kile, Deloitte

2. Consider approval of the minutes from the meeting of September 20, 2010.

Motion was made to approve the September 20, 2010 minutes by Chairman Rick Williams

Motion seconded by Preston Edwards

Motion was approved

3. Deloitte Presentation

Terry stated as part of their job, they are required to talk to several individuals like Internal Audit and the City Manager, about Risk and Fraud. He stated there are three main risks. First, the intentional misstatement of the financial statements second, misappropriation of assets, like theft of computers, cars but most likely theft of cash and third, off balance sheet type transactions, like a bribe

or under the table type of transaction. He stated the fraud experts will tell you that three things have to happen for a person to commit fraud.

- First, they have to have the need for the money,
- Second, they have to overcome their natural inclination to do the right thing and justify in their mind why they need the money and,
- Third, lack of controls.

Terry stated that if there is anything that does occur that they need to be notified.

Bill asked Terry if it is normal of other entities to have a Fraud Hotline like the City does. Terry stated that it is and it is also a very strong internal control to have a Fraud Hotline. He stated it is a great opportunity for people to call in and report something.

Terry asked if they feel that the Council has appropriate ability to communicate tone at the top and communicate ethics to employees in the City. Chairman Williams stated they do and have. The fact that they have an Audit Committee, City employees know that it exists and since Craig has been employed, they know that findings in audits are followed-up on. Audits are posted on the website and are taken seriously and they also have the Fraud Hotline as another source to detect fraudulent issues and everyone knows that and they know that management and Council take it very seriously.

Terry also asked if they have an opportunity to influence the audit plan that is presented by Craig. Chairman Williams stated that they have the opportunity to review it first as the Audit Committee and modify it accordingly and then present it at the next council meeting and allow them to modify if needed. Craig also will send out an e-mail to Council before he starts an audit to allow Council the opportunity to bring something up if necessary.

He also asked when management brings reports to the Council, does Council feel like questions are answered appropriately and that management is diligent in providing the data that they seek. Chairman Williams stated management always answer all of their questions.

Terry stated because of the way economy is right now, fraud is up in every type of environment. He said if something comes up during the year or they have concerns, they can bring it to his attention.

Terry asked if they had any other areas of concern. Chairman Williams stated that they have been briefed about the 8 years vs. 20 years amortization debt issued for TMPA and want to understand why it is an 8 year amortization when the useful life of the debt is for 20 years. Terry stated those types of things are very difficult and many accounting transactions are not covered by accounting standards so they have to look at the best accounting guidance they can. Terry

stated they have been consulting with lots of folks around the country for some time to help research the issue including some folks at GASB (in an anonymous term only). There are a number of possible accounting scenarios that can be looked at in regards to this transaction. Some have more weight than others and in Terry's mind, the pre-paid has the greatest weight than some of the other possibilities. So if you have a pre-paid cost, the accounting guidelines say that you have to look at the period of benefit that the pre-paid will benefit you and amortize over that period and that may or may not be the same as the debt period. Chairman Williams asked that it be looked at with an open mind.

Chairman Williams thanked Terry for his presentation.

4. Kraft Retention Agreement Audit

Liz presented the Kraft Retention Agreement Audit. She stated this was a management requested audit.

The Audit Committee did not have any questions in regards to the Kraft Retention Agreement Audit.

5. Executive Session @ 3:36 p.m.

The Audit Committee discussed the IT Access Controls to the Financial Accounting System Audit in Executive Session.

Adjourn Executive Session @ 4:33 p.m.

6. Adjournment.

The meeting was adjourned at 4:34 p.m.

Submitted By:
Elizabeth Morales

Chairman Rick Williams
Audit Committee