

Meeting Minutes

Audit Committee

Monday, April 19, 2010

3:00 p.m.

1. Opening Remarks/Roll Call

Chairman Williams called the meeting to order at 3:04p.m.

Present:

Rick Williams, Chairman
Barbara Chick

Preston Edwards

Staff:

Bill Dollar
George Kauffman
Craig Hametner
Jed Johnson
Steve Anderson

Bryan Bradford
Elizabeth Morales
Michelle Taylor
Christian Thony

Visitors:

Terry Kile – Deloitte
Blake Rodgers - Deloitte

Craig introduced the new IT Audit Analyst Christian Thony to the Audit Committee

2. Consider approval of the minutes from the meeting of March 1, 2010.

Motion was made to approve the March 1, 2010 minutes by Preston Edwards
Motion seconded by Barbara Chick
Motion was approved

3. Deloitte Presentation

Craig presented Terry Kile with Deloitte and stated he would be covering the Comprehensive Annual Financial Report, Governance Letter, Report to Management and Single Audit.

Terry presented the results of the audit. He presented the Comprehensive Annual Financial Report (CAFR). He stated the CAFR represents the City's

financial operations for the year ending September 30, 2009. He stated their opinion appears at the beginning of the financial section of the report and it is an unqualified opinion which means it is a clean opinion and that they do believe that they were presented fairly and in accordance with Generally Accepted Accounting Principles. He stated there were no significant changes that affected the accounting or reporting this year that affected the financial statements and was very similar to what it has been to previous years.

He then presented the Governance Letter. It explains how the audit went. Terry stated it mentions accounting estimates made by management, past adjustments that were not recorded and some that were recorded. There were no disagreements with management and they were able to have full access to the books and records of the City.

The next report Terry presented was the Report to Management. They look at internal controls that the City employs as part of their audit. They report areas they see weaknesses in internal controls. The first control that was reported as a significant deficiency was password controls. A significant deficiency which was reported from last year and has been remediated relating to accounting for certain transactions related to Electric Utility. Other deficiencies he discussed were the Vendor Master File, Internal Service Fund Deficits, Use of Generic Accounts, User Access Privileges and Classification of Construction in Progress.

Terry also discussed the recently issued Governmental Accounting Standards Board ("GASB") Statements. He discussed GASB Statement No. 54, which will be effective in fiscal year 2011. He stated that it redefines two things. It redefines the definition of fund balance and certain governmental funds. Terry stated that the definition for special revenue funds will be changing significantly and is bringing it to the committee's attention because it might affect the fiscal 2011 budget.

Chairman Williams had a question in regards to the GP&L power contracts. He wanted to know why it was recommended in the report if it has been remediated. Terry stated it was brought over from last year's audit and it's on there to show that the City has remediated the recommendation.

Terry discussed the "2.8 million increase to depreciable capital assets and decrease to construction in progress" as found in the Governance Letter. Chairman Williams had inquired about it.

Terry then presented the Single Audit. He stated:

- They issued an unqualified opinion on the financial statements.
- There was no material weaknesses identified over financial controls.
- There was a significant deficiency identified on ineffective password controls.
- No noncompliance material to the financial statements was noted.
- There was a material weakness to the grant program.
- A significant deficiency in internal controls and compliance finding on North Texas Library System and Community Development Block Grant on suspension and debarment.
- An unqualified opinion was issued except for HOME Investment Partnership, which was qualified for reporting to HUD.

Terry identified the major programs that were audited which were:

U.S. Department of Housing and Urban Development:
Housing Vouchers Cluster
Section 8 Housing Choice Vouchers, CFDA
Disaster Voucher Program, CFDA
Community Development Block Grant, CFDA
HOME Investment Partnership, CFDA

Institute of Museum and Library Services:
Northeast Texas Library System, CFDA

He then discussed the findings relating to the grants and answered questions from the committee.

Bryan needed more clarification as to what the concern was to cause the finding. Terry stated that there is a regulation that a City employee (who exercises functions or responsibilities with HOME and CDBG funds) or relative of the employee can not participate in the CDBG and HOME program without a wavier from HUD. A City employee (who works for the program) and a relative received housing subsidy loans without a waiver. Terry stated that some of the program requirements were not met.

Barbara asked where the oversight was on this. Terry stated it was with the department. He did say that the department worked very hard to provide the proper documentation.

4. Chamber of Commerce Financials

Craig presented to the committee the reports that he receives from the Chamber of Commerce. He presented the Independent Auditor's Report which is received

on an annual basis. Craig stated that the first thing he looks at is if an unqualified “clean” opinion has been issued which was the case for the Independent Auditor’s Report. Craig discussed other items that he looks at on the report. He stated he did not have any problems with the audit.

He also went over the monthly compilation which is done on a cash basis. He looks for any unusual transactions. If anything unusual was found, Craig would bring it to the committee’s attention.

The committee did not have any questions in regards to this item.

5. Adjournment

The meeting was adjourned at 3:55 p.m.