

City of TYBEE ISLAND
Audit Committee Meeting
Monday, April 14, 2008
1:30 PM
Tybee Old School – Room 7

MINUTES

Member Attendance: John Major, Freda Rutherford

Staff: Diane Schleicher, Bonnie Kline

John Major called the meeting to order at 1:30 PM and announced that we do not have a quorum, thus we will delay the approval of the March 17th minutes until the May meeting.

John welcomed Bonnie Kline to Tybee and the audit committee meeting.

REVIEW – BUDGET TO ACTUAL DETAILED UNAUDITED AS OF February 29, 2008

John informed Bonnie that the audit committee went from getting no information on the expenditures to getting too much. He asked Bonnie if she would provide the committee with summary pages and detail only where there are deviations from budget. Freda said that the campground financial report appeared not to have accruals included. Also she said the committee did not receive a copy of the 5-year capital budget. Bonnie said she would clean up the March report and have it for the committee at the next meeting.

OLD BUSINESS

Freda said that last year the ceramic club was an issue during the audit. At that time, Diane informed the auditors that the club would be closed, owners would remove their equipment and the locks would be changed. Freda said that she received a complaint a couple of weeks ago that the club was still in operation. Diane said they were to have removed their supplies & equipment by last April and she would check into it.

The meeting adjourned at 1:55 to begin the Auditors Entrance Conference.

Entrance Conference

Craig Moye, representing Mauldin & Jenkins joined the audit committee group. Diane announced that the city would change its fiscal year to run from July to June. Craig said it might be difficult for him to continue to represent M & J since he already has audits booked for that timeframe. Diane said the change would make it easier for the city to manage capital projects – which occur in the winter. He also noted that the city will have no property tax revenue to show in the first fiscal year and may need to dip into their fund balance. This will look strange on the books. He said the next audit will need to be scheduled this August or September.

John Major asked about impact on corrective action needed from this audit. Craig said some SAS 112 findings would carry over. Internal controls will be an issue on corrective action. This audit will be complete before May. John noted that the dates should be locked in quickly. Craig said we

are likely to get David Irwin as our auditor for more of the work. Wade Sansbury will be here tomorrow and we can discuss staffing with him.

Audit committee questions of the auditor:

- A. Briefly discuss the changes in SAS requirements that have gone into effect since the last audit.

Craig: SAS 104-111 have been implemented there were five findings in the last audit. One has already been identified this year.

- B. What difference in scope, or methods does the audit team anticipate as a result of the new SAS requirements?

Craig: More documentation and testing of controls even at audit committee. Comparison of year-to-year deviations. Standard testing, i.e. campground & public safety.

- C. Based on what you have seen in your audit preparation, what concerns do you have going into the audit?

Craig: In the general fund construction in process is reported as an asset (\$800K) instead of an expense. Cost of goods sold in the general fund should have been expensed. City has an inventory that it didn't have in the past

- D. Are you aware of any accounting or system changes that have been made by the city since your last audit that could impact the outcome of the audit?

Craig: Nothing as significant as prior years. Freda asked about software bugs in Incode. Craig said he would check.

- E. Have you been provided with everything you requested in the PBC letter or other requests?

Craig: Yes. The only problem was confirmations – the city mailed the out instead of M & J. He also got a paper report instead of electronic. M & J would rather control the whole confirmation process.

- F. Are you comfortable with our management structure and are you confident that we will be able to provide the resources you need?

Craig: Seems OK. Have talked with John Redmond a couple of times.

- G. What concerns do you have regarding our CFO transition and how that might impact the audit process?

Craig: Must consider change in CFOs when assessing risk. Will do more testing.

- H. To what extent will you be interviewing staff this year, compared to prior years?

Craig: Much more with SAS changes. There will be more questions on processes.

I. Is there any areas f the city's finances that you will not be auditing? Why?

Craig: No, we will measure everything.

J. To what extent will you be assessing risk as a part of your audit?

Craig: Extensively. Freda asked about legal risks. Craig said at the end of the engagement they will send the letter to the city attorney for his assessment. He waits to make sure everything is covered. SAS 104-111 parallels Sarbanes-Oxley. In the past the biggest risk has been management override of controls.

K. How will the audit scope differ from last year?

Craig: Significantly more tests.

L. Are there any issues, however minor, from last year's audit that remain unresolved?

Craig: Won't be able to tell until later.

M. When do you plan to have the exit meeting?

Craig: Thursday – 4:00, maybe earlier.

N. When do you expect to have the draft report? Final report? (Not answered???)

Bonnie asked about preparing a CAFR (certified audit and financial report). Craig said it was a good thing to do; the state encourages it. It may be difficult with the 6-month timeframe in the next fiscal year.

Arrangements were made for daily meetings between the audit committee members and Craig.

Meeting ended at 3:00 Pm.

Respectfully submitted,

Freda Rutherford, Secretary

Approved May 12, 2008