



## **AUDIT COMMITTEE**

**September 28, 2011**

Minutes

### **CALL TO ORDER / ROLL CALL**

Chair Price called the Audit Committee meeting to order at 10:35 a.m. Committee members present were Chair Price, Vice Chair K. Williams, Directors McIntosh, H. Williams, and Wilson. At that time, there was a full quorum of the Committee. Staff present was Deputy General Manager Kerl, Deputy General Counsel Gallien, Director of Finance Sandler, Controller Greek, Accounting Supervisor Ziomek, and Senior Accountant Matsuo.

### **ADDITIONS TO AGENDA**

There were no additions to the agenda.

### **PUBLIC COMMENT**

There were no members of the public who wished to address the committee.

### **CHAIR'S REPORT**

### **APPROVE AUDIT COMMITTEE MINUTES**

Director H. Williams moved the motion; Vice Chair K. Williams seconded the motion, and the April 27, 2011 meeting minutes were approved.

### **ACTION/DISCUSSION**

1. Approve the Auditor Selection Committee's recommendation of McGladrey & Pullen, LLP for auditing services for a five-year period (audit years 2012-2016) for a not-to-exceed amount of \$427,650, and direct staff to prepare an action item for consideration of the Board at its regular meeting in October.

Auditor Selection Committee's Recommendation: To approve the recommendation of McGladrey & Pullen, LLP as the Water Authority's and QSA JPA's independent auditors. To authorize staff to prepare a contract approval memo from the Audit Committee for the October 27, 2011 Board meeting to authorize the General Manager to enter into an agreement with McGladrey & Pullen, LLP, for independent audits for a five-year period from April 1, 2012 through March 31, 2017, for a not-to-exceed amount of \$427,650. (Action)

Mr. Sandler introduced this item then turned it over to Mr. Greek to explain the background of the item and review the recommendation to approve the Auditor Selection Committee's of McGladrey & Pullen (MP).



Mr. Greek explained the interview process and mentioned that Director Wilson had set on the interview panel as well as other staff members.

After discussion and questions and answers with the Committee, Director H. Williams moved the motion, seconded by Vice Chair K. Williams, and the motion passed unanimously to approve the recommendation.

2. Approve the Auditor Selection Committee's recommendation of Lance, Soll and Lunghard, LLP for agreed-upon procedures services for a five-year period (audit years 2012-2016) for a not-to-exceed amount of \$291,605, and direct staff to prepare an action item for consideration of the Board at its regular meeting in October.

Auditor Selection Committee's Recommendation: To approve the recommendation of Lance Soll and Lunghard as the Water Authority's agreed-upon procedures service provider. To authorize staff to prepare a contract approval memo from the Audit Committee for the October 27, 2011 Board meeting to authorize the General Manager to enter into an agreement with LSL, for AUP services for a five-year period from July 1, 2012 through June 30, 2017, for a not-to-exceed amount of \$291,605. (Action)

Mr. Greek reviewed the interview process and expressed how Lance, Soll and Lunghard (LSL) had become selected for the agreed-upon procedures (AUP) and had been the Water Authority's auditors for the past 6 years and had done an excellent job.

After a brief discussion, Director McIntosh moved the motion, seconded by Vice Chair K. Williams, and the motion passed unanimously to approve the recommendation.

3. Presentation and Discussion of Preliminary results of Audit Fieldwork (LSL)

Mr. Greek started the item with reviewing past meetings, key dates and the exit conference held with LSL.

Mr. Greek introduced Mr. Kikuchi from LSL to present to the Committee. Mr. Kikuchi reviewed the key components of the 2011 Audit, introduced the engagement team from LSL, and explained the Audit process. Mr. Kikuchi explained the Comprehensive Annual Financial Report (CAFR) and all the pieces that make up the CAFR.

Mr. Kikuchi reviewed three new auditing standards (SAS 118, SAS 119, and SAS 120), as well as existing standards, which were the SAS 115 letter and the Audit Communication Letter.

Mr. Greek explained the next steps in the Audit Process and mentioned upcoming key



dates, such as the next Audit Committee meeting would be on November 10<sup>th</sup>, and the Audit Committee would be taking these recommendations to the full board at the December 8<sup>th</sup> Board meeting.

Vice Chair Ken Williams suggested that the Auditors meet with the Committee separately from staff during the next committee meeting.

All agreed.

#### **ADJOURNMENT**

There being no further business to come before the Audit Committee, Chair Price adjourned the meeting at 11:15 a.m.