



AUDIT COMMITTEE

May 10, 2010

Minutes

CALL TO ORDER / ROLL CALL

Chair Bond called the Audit Committee meeting to order at 10:00 a.m. Committee members present were Chair Bond, Directors Croucher (via telephone), McIntosh, and Tu. Committee member absent was Director Wight. At that time, there was a full quorum of the Committee. Staff present was Deputy General Counsel Gallien, Director of Finance Sandler, Controller Wade, and Accounting Supervisor Lopez. Also present were Richard Kikuchi and Kelly Culver from Lance, Soll and Lunghard (LSL).

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

Chair Bond reviewed the follow-up items from the February 3, 2010 Audit Committee meeting.

DIRECTORS' COMMENTS

There were no comments.

DISCUSSION OF STATEMENTS ON AUDITING STANDARDS (SAS) NO. 114.

Mr. Kikuchi reviewed the SAS No. 114 auditing standards with the Committee explaining the Governing Board and Management's responsibilities, the responsibilities under U.S. Generally Accepted Auditing Standards, planned scope and timing of the audit, and future communications. He pointed out that this highly encourages more direct communication between the Auditors and those charged with Governance.

PRESENTATION AND DISCUSSION OF AUDIT PROCESS

LSL provided a presentation on the Fiscal Year 2010 Audit. Mr. Kikuchi started with the timeline of the interim audit, year-end audit and the Comprehensive Annual Financial Report (CAFR). Ms. Culver then explained the Interim Audit Procedures, which consist of planning, inquiry and documentation, risk assessment and internal controls. Ms. Culver also discussed the focus of Year-End Audit Procedures, account analysis, confirmations to third parties, and cut-off procedures. Mr. Kikuchi reviewed the CAFR and its four parts 1.) Introductory Section; 2.) Financial Section, which includes the Auditor's Opinion Letter, Management's Discussion and Analysis, the Financial Statements, and the Notes to the Financial Statements; 3.) Supplemental Section; 4.) Statistical Section.

Ms. Wade then reviewed the Audit Committee calendar for the rest of the calendar year (handout) with the Committee.



DISCUSSION OF AUDIT SERVICES PROCUREMENT PROCESS AND CONSIDERATION OF ACTION TO APPROVE A DRAFT REQUEST FOR PROPOSALS

This is the final fiscal year to be audited under the current contract with LSL, which expires May, 2011. As such, the committee would be issuing a Request for Proposals (RFP) for audit services.

Ms. Wade explained the history and background that led to the Government Finance Officers Association's (GFOA) recommended practice for audit services contracts and led a review and discussion of the draft RFP. The recommendations are a) that the contract be at least five years, and b) that the RFP process actively seek the participation of all qualified firms, including the current auditors. Ms. Wade and the committee members also discussed the scope of services outlined in the RFP for Auditing Services. The Committee Chair discussed having a member of the Committee sit on the selection panel for the independent auditors and it was unanimously determined that Barbara Wight would serve on the panel.

Director Tu motioned to 1) approve the draft RFP for a 5-year audit services contract, 2) allow the current audit firm (LSL) to submit a response to the RFP, and 3) appoint Barbara Wight of the committee to serve on the selection panel.

Director McIntosh seconded the motion, and it passed unanimously.

The Committee agreed the next meeting would be in September, 2010.

ADJOURNMENT

There being no further business to come before the Audit Committee, Chair Bond adjourned the meeting at 11:05 a.m.