



**TOWN OF HOLDEN BEACH
AUDIT COMMITTEE MEETING
HOLDEN BEACH TOWN HALL – PUBLIC ASSEMBLY
TUESDAY, JULY 16, 2019 – 4:00 P.M.**

1. Call to Order
2. Approval of Agenda
3. Approval of July 5th Meeting
4. Presentation of 2018 Audit results by Rive's Audit Partner Jay Sharpe, CPA
5. Discussion with Audit Partner on Reasons for Delays in 2018 Audit Completion and Circumstances Surrounding Extra Work Necessary to Complete the Audit
6. Discussion and Possible Action on Recommendation to Board of Commissioners Regarding Approval of 2018 Audit
7. Discussion and Possible Action on Recommendation to Board of Commissioners Regarding Approval of Revised 2018 Audit Contract
8. Discussion and Possible Action on Recommendation to Board of Commissioners Regarding Retention of Rives as the 2019 Audit Firm
9. Discussion and Recommendation to Board of Commissioners Regarding the Process for Audit Committee's Involvement in Overseeing the Annual Audit and Evaluating the External Auditor
10. Discussion and Possible Action on Recommendation to Board of Commissioners Regarding the Requirement of a More Useful Monthly Informative Financial Statement Format as Presented at the July 5th Audit Committee Meeting
11. Discussion of the Responsibilities of the Audit Committee per Ordinance 30.26 and What is Needed to Meet These Expectations
12. Discussion and Possible Action on Recommendation to Board of Commissioners Regarding the Oversight of the Recommendations Detailed in the RSM Report for Correction of Existing Internal Weaknesses
13. Discussion and Possible Action on Recommendation to the Board of Commissioners Regarding the Requirement that the Finance Director Provide all Requested Information Regarding Internal Financial Controls
14. Adjournment



**TOWN OF HOLDEN BEACH
AUDIT COMMITTEE MEETING
FRIDAY, JULY 5, 2019**

The Audit Committee of the Town of Holden Beach, North Carolina met for a meeting on July 5, 2019 at 1:00 p.m. in the Town Hall Public Assembly. Present were Audit Chair Mayor Pro Tem John Fletcher; Members Woody Tyner, Tom Myers, Tony Chavonne, Mark Fleischhauer; Town Manager David Hewett, Clerk Mandy Lockner; Commissioners Pat Kwiatkowski, Joe Butler, Mike Sullivan and Peter Freer.

1. Call to Order

Chair Fletcher called the meeting to order.

2. Approval of Agenda

The agenda was amended to remove item #6 and switch items #7 and #8 and add a (c) under item #8 to discuss the LGC audit process to approve the annual audit report.

Member Fleischhauer made a motion to approve the agenda as revised; second Member Tyner; approved unanimous.

3. Approval of Minutes

Member Tyner made a motion to approve the minutes as written; Member Chavonne made a second; approved unanimous.

4. Review of End of Fiscal Year Financials Statements

Manager Hewett reviewed the year end financials. He pointed out that miscellaneous general revenue monies had been transferred to their specific accounts. Transfers to the special revenue funds or water/sewer, BPART and canal dredging have all been made for the end of the year. There was discussion about why the BPART fund had a windfall but was it explained that those monies per the budget ordinance were transferred out and into the Beach Re-nourishment and Inlet Management fund. There was a discussion on how the numbers got to the auditor and the process and time of sending the trial balance.

5. Review of Efforts to Improve Reporting of Financials to the Audit Committee for Review (Tony Chavonne).

Member Chavonne gave an explanation of the financial reporting format he put together for the staff and committee. He discussed positives and negatives of the formats if using them for the year, month or quarter. There was discussion on whether or not the reports should be generated by a committee member or by staff. Discussion was had about moving meetings to another day or time; rolling the meetings a month to reflect more accurate reports.

A motion was made by Member Myers to take the format to the Board of Commissioners for approval; second by Member Tyner; approved unanimous.

8. Rives and Associates' Items

a. Amended Contract for Fiscal Year 2018-2019

b. Confirmation of Audit Committee's Earlier Recommendation to Extend Rives' contract to include the 2019 Audit.

c. Discuss the LGC audit process to approve the annual audit report.

a. Manager Hewett stated that the contract had been sent back and amended to include an additional \$10,000. The original contract was \$14,784. The extra money requested is for preparing the financial statements which in the past have always been done by the auditors. Manger Hewett stated that he was not aware that the Town was going to be billed extra money prior to the financials being done. There was discussion on HB 233 and who should prepare the financial statements; town staff or auditors.

b. Member Fleischhauer stated that approving the amended contract was more of a Board of Commissioners' responsibility. Manager Hewett stated that he did not have any authority to amend the contract because it was between the BOC, the auditor and the LGC. Member Tyner agreed that this contract should go to the BOC and was concerned about how well the audit firm performed their duties. Chair Fletcher and Member Myers stated they would like to speak with the auditor to hear their side of the story. Chair Fletcher asked if there was a motion on the floor from Member Myers and there was not. *No action was taken.*

c. Manager Hewett stated that the LGC had recently denied/returned the audit from Rives' and read the LGC letter that accompanied the return. Member Tyner wanted to know if the audit was sent to the LGC before or after BOC approval. Manager Hewett stated that the contract does not qualify who gets the audit first. Manager Hewett read the amended audit contract and the regular contract in which both stated it was to be submitted to the governing board and the Secretary of the LGC. Chair Fletcher stated that the auditor works for the BOC and they wanted to see the audit before as well as the committee to review and recommend before submission. Chair Fletcher said he would put something on the BOC agenda to clarify their role as a committee per Member Myers questions about their authority and role as a committee. There

was discussion about whether the committee needed to schedule a meeting with Rives to discuss the audit and audit process. Manager Hewett stated that we needed to be moving forward with working with an auditor because of the LGC letter and start on this year's audit. There was discussion from Manager Hewett and Fiscal Operations Clerk III Lancaster to Chair Fletcher about the timeliness of getting documents to the auditor and that there was never a delay in staff reporting to the auditor. Chair Fletcher stated that he had been tracking the progress of the audit with the auditor and that he had been communicating to the auditor throughout the audit process. It was noted by Manager Hewett that it was inappropriate for Chair Fletcher to be doing so because he was tasked by the BOC to be working with the auditor.

Member Fleischhauer wanted to discuss whether or not to hire them again, or at least send to the BOC for approval or look for another auditor for this year. The discussion was that the committee wanted to hear from Rives before.

New Business

Member Tyner would like to put on the next agenda discussion about cyber ransom.

Adjournment

Motion made to adjourn by Member Tyner; second Member Myers; approved unanimous.