



**TOWN OF HOLDEN BEACH
AUDIT COMMITTEE
TUESDAY, NOVEMBER 19, 2019 – 5:00 P.M.**

The Audit Committee of the Town of Holden Beach, North Carolina met for a Special Meeting on Tuesday, November 19, 2019 at 5:00 p.m. in the Town Hall Public Assembly. Present were Audit Chair Mayor Pro Tem John Fletcher; Members Mark Fleischhauer, Tom Myers and Woody Tyner; Town Manager David W. Hewett; Town Clerk Heather Finnell; and Fiscal Operations Clerk Margaret Lancaster. Tony Chavonne was unable to attend the meeting.

APPROVAL OF AGENDA

Motion by Member Myers to approve the agenda; second by Member Tyner; approved by unanimous vote.

APPROVAL OF MINUTES

There were no minutes to approve.

PUBLIC COMMENTS ON AGENDA ITEMS

No public comments were made.

PRESENTATION OF 2019 AUDIT REPORT BY RIVES' PARTNER JAY SHARPE AND COMMITTEE'S RECOMMENDATION TO THE BOC

Mr. Sharpe explained he provided a letter with information on the audit to the committee. He reviewed the 2019 audit timeline. They met the deadline for the audit. They did receive approval from the LGC for the audit. They are waiting on final approval from the Town to issue the audit and the signed Management Representative Letter and then they will issue the audit to the Town. The schedule for the upcoming year was discussed. Mr. Sharpe said as far as the timeline, he would like to have the approved contract back earlier next year.

Mr. Sharpe explained that Yellow Book did change. One of the things it is focusing on is preparation of financial statements by the auditor. You first need to determine if the unit's staff has the skills, knowledge and education to prepare the financial statements themselves. If the auditor does not believe they can, the auditor cannot prepare the statements. Mr. Sharpe thinks the staff will need to receive additional training in order to prepare the statements. One of the things you can do is use an independent consultant. The new standards were further discussed. Mr. Sharpe said if they had someone who they felt could oversee it, they could still prepare the statements. He said for a majority of audits in North Carolina, the statements are being prepared by the auditor. Mr. Sharpe answered questions on how the change will affect the Town.

Mr. Sharpe reviewed the audit results and answered questions from the committee.

Motion by Member Myers to recommend approval of the audit report as delivered; second by Member Tyner.

Member Fleischhauer talked about how the Local Government Commission already approved the audit.

The motion passed unanimously.

DISCUSSION AND POSSIBLE RECOMMENDATION ON TOWN'S PLAN TO PREPARE FOR 2020 LGC REQUIREMENTS ON FINANCIAL STATEMENT PREPARATION

Town Manager Hewett said he thinks this is outside of the purview of the Audit Committee's charge. He explained this is a management action item that he will take up with the Board. A majority of local governments in North Carolina are dealing with this issue; he is assuming some sort of guidance from the Local Government Commission will be issued.

REPORT BY TOWN MANAGER OF ACTIONS TAKEN IN RESPONSE TO RSM REPORT ON INTERNAL CONTROL WEAKNESSES

Town Manager Hewett prepared a report and delivered it to the Board on a protocol to address specific items in the internal control report. He has not received any guidance or feedback otherwise on their desire of how it should be carried out. It is a public record. The Board's guidance to Town Manager Hewett was to report back to the Board.

FUTURE ACTIONS FOR COMMITTEE CONSIDERATION

Chair Fletcher stated this is his last meeting as a commissioner and the chair. Going forward he would recommend that the committee give good thought to the audit charter. He said be cautious that you maintain an objective position as a committee. He said it is not a consulting group, but a protection group that would warn the Board if there is an issue. He added this is a good qualified committee, but they were not able to do the job they should have done. Member Myers said he doesn't think it is okay to call themselves an Audit Committee if they are not meeting the mandates of what the accounting profession says a committee should be. Member Fleischhauer stated one thing the Town needs to avoid is waiting until August to get a contract out. He said he thinks the changing environment will be a confusing process. He said it will generate more fees, but we need to get into the que to at least get the audit done in time. He would like the committee to set a specific day to meet for the quarterly meetings for the upcoming year. Canceling the January meeting since there will not be a chair was discussed.

ADJOURNMENT

Motion by Member Tyner to adjourn at 6:07 p.m.; second by Member Tyner; approved by unanimous vote.