

County of Butte

Audit Committee

Butte County Administration Conference Room

25 County Center Drive, Oroville, CA

September 29, 2011

Minutes

Call to Order

The Butte County Audit Committee meeting was called to order by Maureen Kirk at 10:00 am.

Committee Members Present:

Supervisor Kirk; Paul Hahn, CAO; Greg Iturria, CFO; Linda Barnes, Treasurer and Tax Collector

Committee Members Absent:

Dave Houser, Auditor/Controller

Also Present:

Tom Limper, Deputy CFO; Graciela Gutierrez, Assistant Auditor/Controller; Susie Rees, Butte County Staff

Brad Constantine, Partner, Gallina LLP

Grand Jury Members Jerry Kunkle, John Hitchcock, Roy Ellis and Ken Fleming

I. Review and Approve

Minutes from May 5, 2011 meeting – Motion by Greg Iturria, second by Linda Barnes to approve the minutes from the May 5, 2011 Audit Committee meeting. Motion carried unanimously.

Amended Audit Committee Bylaws – Tom Limper distributed copies of Amended Audit Committee Bylaws that were approved at the May 5, 2011 Butte County Audit Committee meeting. Supervisor Kirk and Paul Hahn to sign at close of today's meeting.

II. Discussion

- A. Brad Constantine, Gallina LLP gave business cards to Grand Jury members. He explained that interim work on the Fiscal Year 2010-2011 audit has been completed and there have been no significant findings/issues to address. Gallina LLP will be back in November to do further research. A draft of the financials will be completed by the end of October with a draft of the final report ready for review by December 1st.
- B. Gallina LLP is in the process of implementing GASB (Governmental Accounting Standards Board) 54 which changes the way current fund balance data is reported by providing five different categories as opposed to the two categories currently used. Four Auditor Controller staff participated in GASB 54 training at the offices of Gallina LLP. Brad Constantine provided an overview of GASB and ARRA (American Reinvestment and Recovery Act) Funds to Grand Jury members as well as an overview of GASB 54 and how it will make government financial reporting more similar to corporate financial reporting. Brad Constantine, Greg Iturria and Paul Hahn answered questions from Grand Jury members. Greg Iturria reviewed the five new categories of fund balance reporting: Non-spendable; Restricted (legally), Committed (by the Board of Supervisors); Assigned (Board of Supervisors authorizes individual to assign funds); and Unassigned. Brad Constantine discussed various roles of GASB and how it is formed. Greg Iturria discussed how the CAFR (Comprehensive Annual Financial Report) is used and how/why GASB 54 will result in government financial reporting being more consistent with corporate financial reporting. Linda Barnes explained that it is in favor of governments to level the playing field with corporations as it pertains to credit ratings. Greg Iturria explained that more transparency in government financial reporting encourages more government investing vs. private investing and Paul Hahn addressed the fact that GASB 54 only changes how governments *report* finances.
- C. The Grand Jury questioned how Gallina LLP audits program funds to be certain they are being spent correctly. Brad Constantine explained the selection/audit process of program funds to ensure that counties are meeting eligibility requirements and complying with regulations. Greg Iturria added that as many as 7 or 8 external audits may happen, annually, and how the results of those audits are included in Gallina LLP's final reporting. Greg Iturria also addressed internal county audits that occur. The Grand Jury inquired as to how Butte County is faring with current audits and Brad Constantine indicated that there has been nothing of concern to date. The Grand Jury inquired as to how the various audits (federal, internal, external etc) are reconciled. Paul Hahn addressed this process using the federal audit of PIC (Private Industry Council) and the County audit of PIC as an example, explaining that the federal audit is pertaining to how federal funds are used while the County audit analyses issues pertaining to the relationship of PIC and the County. Thus, the audits do not overlap as their focuses are on different aspects of the organization.

III. Public Comment

No public comment

Meeting Adjourned by Supervisor Kirk at 10:38 am. Supervisor Kirk and Paul Hahn remained to sign the Amended Committee Bylaws.