PUEBLO CITY-COUNTY LIBRARY DISTRICT BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING
March 22, 2012

I.   CALL TO ORDER

The Audit Committee meeting was called to order at approximately 4:30 p.m.

Board Members Present: Sherri Baca, Committee Chair; Roy Miltner; Marlene Bregar

Staff Present: Jon Walker, Executive Director; Chris Brogan, Chief Financial Officer

Others Present: Austin Bump and Wendy Swanhorst from Swanhorst & Associates, LLP, auditors

II.   DISCUSSION ITEMS

Mr. Bump indicated that the auditors were about 75% through the 2011 Audit process. He provided a recap of the audit process which involves testing to make sure they can rely on the process, and there were no exceptions. Mr. Bump said the library staff are following the policies that are implemented. Mr. Bump gave credit to Ms. Brogan who makes sure everything is laid out and ready for the audit which improves their efficiency. The process is going well, and they do not see any concerns.

Ms. Baca recalled that last year there had been a delay due to the software conversion. Mr. Bump referred to the management letter from last year, and agreed the system conversion had been the biggest issue because it affected a number of things, but things seem to be back on track with this audit.

Mr. Bump said on the IT side, there had been some cash handling concerns last year and a need for a coordinated recovery plan. Mr. Walker said the library had budgeted for point-of-sale software to assist with cash handling, and Ms. Brogan added that some additional safeguards may be available with the RFID implementation.

Mr. Bump also discussed the new GASB accounting standards, and he noted that primarily it changes the language in how fund balance information is disclosed, e.g., the Library Replacement Plan fund balance. It is not changing any bottom-line processes, and it will just be a different presentation in the CAFR from prior years.

Mr. Walker asked if the auditors feel comfortable they will be able to finish up the onsite portion of the audit tomorrow. Mr. Bump said definitely because they are through with the big areas, and he does not anticipate any adjustments or misstatements.

Ms. Baca asked if the report will be provided to the Board in May or June. Ms. Brogan said she would like to present it in May, but she does not yet have the draft CAFR which takes longer to prepare. Mr. Bump said last year's audit was delayed because the software conversion created a hurdle, and he is not seeing any issues like that this year. Ms. Brogan said typically the audit has been presented in June, although she would like to provide it earlier.

Ms. Baca asked if the library is happy with the new accounting software. Ms. Brogan said yes, although there are some things that are not available that were with Fundware, and MAS90 is coming out with a reporting package that will require some additional training.

Mr. Walker asked if the Board was satisfied with the reports. The reports had been modified based on Board requests, and the Board has some control over the way reports are presented. Ms. Brogan added that MAS90 allows her to move data into Excel where the reports can be adjusted more easily. It was also noted that Fundware was an "end of life" system that would soon no longer be supported.

Mr. Miltner asked how the new system differs in terms of the projections Ms. Brogan has provided the Board. Ms. Brogan said most of that is done in Excel.

Ms. Baca asked if the new system allows Finance to be more paperless. Ms. Brogan said it does to some extent, but the new purchasing software is really helping with that more. The purchasing software allows them to electronically transfer a purchase order directly to the vendor.

Mr. Bump added that the auditors are able to pull the reports in the way they need them, and the auditors can drill down to get the details which seems a lot more useful.

Mr. Bump said Linda Frueh will be here in April to visit Information Technology. The cash handling was the main concern with the IT audit. There was additional discussion that the IT audit gives the library the opportunity to take a closer look at a specific issue. Charles Hutchins was new to the library, so the IT audit will be more familiar for him this year.

There was a lengthy discussion of the issues the library faces with cash handling which impacts a lot of front-line staff in the district and which Ms. Swanhorst characterized as "high risk but low dollar." Solutions discussed included the self-checkout stations with RFID may take fine payments directly, the use of daily rather than weekly reports exposes errors when the problem can be isolated, and point-of-sale software will connect the SIRSI system with the cash register.

There was additional discussion that RFID will be a challenging change in the culture, and the library staff have been discussing its impact and advantages, but it will also impact a lot of the library's front-line staff.

Ms. Baca said she appreciated the opportunity to meet with the auditors.

Ms. Brogan said this auditing group is good to work with because she always learns something and she appreciates their advice.

Ms. Baca added that having a good audit keeps the Board in good standing with the public.

Mr. Bump commented on the work involved, and he pointed out that the 2012 Budget and Annual Plan distributed by Ms. Brogan was not put together by the auditors, and he said having this type of document gives them the opportunity to make solid recommendations. Ms. Brogan added that having an auditing group like this allows her to contact them throughout the year to seek recommendations and advice as situations arise.

III. **ADJOURNMENT** There being no further discussion, the Board Audit Committee adjourned at approximately 5:00 p.m.

Respectfully submitted,

Jane Carlsen
Secretary