

Committee Name:	Audit Committee	Session #:	Report #:
Committee Chair:	Jill Gellatly	Vice Chair:	Elyce Dilworth
Minutes recorded by:	Elyce Dilworth	Date/time of meeting:	June 8, 2012 9:00 a.m. ET

Motions Passed:

1. Recommend to the Finance Committee that the threshold for capitalization of equipment, furniture and leasehold improvements be increased to \$1,000.

Number of committee members present:	Absent: 1	Number of other delegates present:
Committee members present (list all, including chair and vice chair): Jill Gellatly (Chair), Elyce Dilworth (Vice Chair), Jeanne Ensign, Paul Griffin, Ralph Davis (ex-officio) and Susan Kuhlman (ex-officio)		

Minutes

The meeting was called to order at 9:00 a.m. ET.

1. Controller's Report – Susan Kuhlman updated the Audit Committee (the "Committee") on various matters including the disaster recovery plan, non-profit financial and accounting manual and the development of monthly closing procedures. Ms. Kuhlman also provided feedback on the audit and discussed the various items requested by Kerkering, Barberio & Co. ("K&B"). She indicated she was pleased with the overall audit process.
2. Review of Draft Materials – The Committee then reviewed and discussed the draft financial statements, board report, management representation letter and Form 990 tax return previously distributed to the Committee. The Committee summarized their comments on the various documents for further discussion with K&B later in the meeting. The Committee also discussed the capitalization policy for equipment, furniture and leasehold improvements. The Committee concluded the current threshold of \$500 for capitalization was too low and agreed to recommend to the Finance Committee an increase in the threshold to \$1,000.
3. Compliance and Procedural Matters – Jill Gellatly discussed a number of items relating to policies and procedures noted by various Committee members including the review and approval of contracts and grants and budget distribution process. After further discussion, the Committee decided to defer these topics to Convention when all Committee members will be present.
4. Presentation by K&B – Rob Lane, Rebecca Stoner and Kevin Zollner of K&B joined the meeting to discuss the 2011 audit results and tax returns. Mr. Lane reviewed the required communications with the Audit Committee and noted K&B would be issuing an unqualified opinion. He also indicated no material weaknesses were detected in the internal control system and no illegal acts or irregularities were noted. Mr. Lane discussed the audit adjustments and reclassifications and stated there were no unposted adjustments. The Committee discussed their comments and questions with K&B relating to the financial statements, board report and tax return. K&B noted they were pleased with the quality of the audit materials and the assistance provided by Ms. Kuhlman and her staff during the audit.

Mr. Lane led a discussion of recent legislation adopted in Florida which will impact USMS in fiscal 2012. He also discussed USMS' capitalization policy and concurred that an increase in the threshold would be appropriate.

Ms. Kuhlman was excused from the meeting so that the Committee could meet in executive session with K&B.

The Committee thanked K&B for their presentation and Messrs. Lane and Zollner and Ms. Stoner left the meeting. Ms. Kuhlman rejoined the meeting.
5. Recommendation of K&B for 2012 through 2014 – Ms. Gellatly distributed K&B's engagement letter for audit and tax services for the fiscal years ended December 31, 2012, 2013 and 2014. The Committee agreed to review and discuss the engagement letter at Convention.
6. Agenda for Convention – The Committee discussed proposed agenda items for Convention including: (1) review of K&B engagement letter; (2) review of procedures for approving contracts (FOG Section XII); (3) review of budget process and dollar thresholds required for submitting a budget (FOG Section II); and (4) development of procedures to document the administration of grants from the Central Indiana Community Foundation, Inc. and Swimming Saves Lives Foundation.

There being no further business, the meeting was adjourned.

The meeting was adjourned at 4:30 p.m.