

MINUTES OF GREATER ROANOKE TRANSIT COMPANY AUDIT COMMITTEE

March 2, 2009

1. CALL TO ORDER:

The meeting of the Greater Roanoke Transit Company Audit Committee was called to order in the Emergency Operations Center (EOC Room) of the Noel C. Taylor Municipal Building at 11:35 a.m. with Chairman, Sherman P. Lea, presiding.

- **The roll was called by Mrs. England**

Audit Committee

Members Present: Sherman P. Lea. Chair
Mayor David A. Bowers
Dr. M. Rupert Cutler
Gwendolyn W. Mason
Anita J. Price
Court G. Rosen
Dr. David B. Trinkle

Audit Committee

Members Absent: None

Others Present:

Drew Harmon, Municipal Auditor
William M. Hackworth, City Attorney
Ann Shawver, Director of Finance
Darlene Burcham, City Manager
James Grigsby, Asst. City Manager/Operations
Brian Townsend, Asst. City Mgr./Community Development
David Morgan, General Manager, GRTC
Octavia Johnson, Roanoke City Sheriff
James Brubaker, Major Deputy Sheriff
Stephanie Moon, City Clerk
Andrea Trent, Acting Deputy Director of Finance
Faye Gilchrist, Assistant to the City Manager
Melinda Mayo, Public Information Officer
Dawn Hope, Assistant Municipal Auditor
Ann Clark, Senior Auditor
Doris England, Administrative Assistant
(3) Members of the Media

2. EXTERNAL AUDIT REPORTS

KPMG Audit Reports:

- A. GRTC – Transit Operations Basic Financial Statements and Required Supplemental Information – June 30, 2008 and 2007
- B. GRTC – Transit Operations Communication to the Board of Directors – Year Ended June 30, 2008

Chairman Lea ordered that items A and B be received and filed. There were no objections to the order.

The Chair recognized Mr. Harmon for comments. Mr. Harmon stated that he would discuss the two reports from KPMG collectively. He explained that these reports would typically be presented at the December or January Audit Committee meetings; however, there were some delays this year. Mr. Harmon stated there are three processes occurring in parallel during the annual audit.

1. An audit of the financial statement to determine if they are materially correct.
2. Procedures required by the Virginia Auditor of Public Accounts as part of the external audit, referred to as the APA specifications for audits.
3. An audit of compliance with federal grant provisions required by the Office of Management and Budget, often referred to as the single audit.

Mr. Harmon referred committee members to the Independent Auditors' Report on page 9 of GRTC's Basic Financial Statements. The letter is dated October 10, 2008, and provides KPMG's opinion on GRTC's financial statements. Mr. Harmon explained the audit of the financial statements was completed before the single audit was completed and before the procurement issue was fully identified. The transactions were accounted for properly based on supporting documents. Likewise, the report on page 20 was also completed October 10, 2008, and no issues were noted at that date.

Mr. Harmon referred the committee to the document entitled *Communication to the Board of Directors*, which communicates certain required information to the governing board. The document addresses KPMG's responsibility under professional standards, GRTC's application of accounting policies, occurrence of unusual transactions, and changes in accounting practices. KPMG reported there were no disagreements with management on financial accounting and reporting matters, and that they knew of no consultations management had with other accountants. The document concludes with a statement that KPMG accountants are independent with respect to the GRTC. Mr. Harmon noted that representations offered by management are also included in the back of the document. The representations acknowledge management's responsibility for the financial statements, for internal controls, and for ensuring there are no compliance or fraud issues. Mr. Harmon noted that this letter was also dated October 10, 2008, before the issue on the procurement of furniture had arisen.

Mr. Harmon stated that KPMG's report on internal control and compliance on the single audit is pending and will soon be ready for presentation to the Audit Committee. He then asked the committee members if they had any questions regarding the financial statements.

Mayor Bowers asked why the letters were dated October 10, 2008, when the reporting period ended on June 30, 2008. Mr. Harmon replied that the auditors dated the letters as of the date that their audit work was completed, which was in October.

Dr. Cutler asked if the Valley Metro manager would speak to the committee on the status of the patronage and plans to expand clients riding the Smart Way bus to Blacksburg. Mr. Morgan stated the ridership of the Smart Way bus had increased 33 percent during the 2007-2008 year and was projected to increase 34 percent during the 2008-2009 year. He said capital project plans were to replace the buses with larger equipment to accommodate the increased ridership.

Chairman Lea asked committee members for any comments or questions. Dr. Trinkle asked if the single audit report would be presented to the Audit Committee when it became available from KPMG. Mr. Harmon confirmed that it would.

3. INTERNAL AUDITS

A. Southwestern Virginia Transit Management Company Retirement Plan and Trust

Chairman Lea ordered that item A be received and filed. There were no objections to the order.

The Chair recognized Drew Harmon for comments. Mr. Harmon explained that the retirement trust was a 457 plan for the employees at GRTC. The employees are required to contribute to the retirement plan and GRTC historically provides a matching contribution. The retirement trust had traditionally been audited by KPMG as part of the annual audit of GRTC's financial statements. Based on changes in the auditing standards that were expected to significantly increase auditing fees for the trust, and given that ERISA does not require an audit of small trusts such as this one, Municipal Auditing and GRTC management agreed to end the annual external audits. In lieu of the financial audit, Management asked Municipal Auditing to conduct a performance audit of the retirement plan and trust.

Mr. Harmon noted that the objectives of the audit were to verify contributions, distributions, and plan expenses were made in accordance with the plan

documents, union agreement, and any associated contracts. The audit also verified that employees who were required to participate were enrolled in the plan, and it evaluated the reliability of the financial information reported by the plan recordkeeper. There were no findings noted. Mr. Harmon stated he would be glad to answer any questions.

Chairman Lea asked committee members for any comments or questions. There were none.

4. UNFINISHED BUSINESS:

There was no unfinished business to come before the Committee.

5. NEW BUSINESS:

There was no new business to come before the Committee.

6. ADJOURNMENT:

There being no further business, the meeting was adjourned at 11:57 a.m.

Sherman P. Lea, Chair