



Public Agency Compensation Trust
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**Minutes of Meeting of the
Audit Committee
Public Agency Compensation Trust
Date: December 7, 2004**

1. Roll

Members Present: Marilou Walling, David Fulstone, Brian Elkins, Bruce Brooks, Robert Kenney

Members Absent: Cash Minor

Others Present: Wayne Carlson, Doug Smith, Debra Connally, Michael Bertrand

2. Action Item: Approval of Minutes of Meeting of October 9, 2003

On motion and second to approve the minutes with replacement of acronyms with the actual words, the motion carried.

3. Action Item: Acceptance of Auditor's report and action on recommendations

Michael Bertrand reviewed the audit committee letter. In response to a question regarding compliance with prior year recommendations, Mr. Bertrand deferred to management. Debra Connally advised that the recommendation has been implemented and that reconciliations for the current first quarter were in process now. Mr. Bertrand also recommended development of a written transition plan for Debra Connally to transition to a more supervisory role with separation of duties. He also discussed that he had facilitated a fraud risk assessment discussion and that he suggested that the Audit Committee adopt a procedure that permitted staff who may suspect suspicious activity to report such activity to the Audit Committee if it involved management override of controls. Wayne Carlson commented that he has drafted a policy that would address these issues for consideration by the Audit Committee in the future.

Mr. Bertrand then reviewed changes in the financial reporting. He noted that this year was the first year in which GASB 34 had to be implemented for PACT. He pointed out that the first addition was the "Management Discussion and Analysis" section which had to be written by Wayne Carlson, then checked for consistency with the financials by the auditor, but not audited. He then noted that various title changes to sections of the audit and reviewed the audit results, including his notes. He commented that there were two large additional

assessments that resulted from the payroll audit that were disputed by the members. Wayne Carlson commented that the two members indicated that they had had computer problems that caused the discrepancy and were working to complete verification. Mr. Bertrand noted that the additional assessment amounts due from the original payroll audit had been backed out after he conferred with the two members and was assured that the differences would be about \$20,000, which is less than PACT's materiality level of \$120,000.

Mr. Bertrand then noted that the development schedules this year included a separate schedule for the heart/lung fund that had not been included in the past. Changes in interpretation of GASB rulings called for this change in presentation.

On motion and second to accept the auditor's report and to recommend implementation of the auditor's recommendations, the motion carried.

4. Action Item: Acceptance of Audit

On motion and second to accept the audit, the motion carried.

5. Public comment

Roger Mancebo thanked the Audit Committee and Michael Bertrand for the good work on the audit.

6. Action Item: Adjournment

On motion and second to adjourn, the meeting adjourned at about 2:00 p.m.