

**NEW JERSEY HIGHLANDS COUNCIL
AUDIT COMMITTEE
CHAIR REPORT
FOR THE MEETING OF MARCH 22, 2007**

On March 22, 2007, the Audit Committee held its first meeting at the New Jersey Highlands Council office in Chester, New Jersey. Council members participating included the Committee Chair Liz Calabrese, Tim Dillingham, Glen Vetrano, and Beth Gates. Highlands Council staff members present included Dante Di Pirro, Tom Borden, Patty Sly and Kim Kaiser.

Ms. Elizabeth Calabrese opened the Audit Committee meeting. She extended thanks to Beth Gates, Director of Finance at the New Jersey Water Supply Authority (NJWSA), who participated in the meeting. The committee affirmed the need for a single audit based on the requirements of EO122, #10 that states "This Order shall apply to all State authorities, commissions, boards, and councils that utilize external auditors to assist them in overseeing public funds." Furthermore, the State categorizes the Council's funding as State aid, which when in excess of \$500,000, triggers a single audit as outlined in 04-04-OMB. These documents had been previously distributed to members by email. Ms Sly reported that Don Krawiec is the Council's audit liaison at the DEP. Mr Krawiec has indicated that an audit for FY06 is required; we do not need to secure audits for prior years. In addition he confirmed that a single audit is required for those funds managed by the Council. This would exclude the payroll funds that are appropriated and held by the DEP for staff salaries, since the State audit covers this payroll administration. Likewise, Mr. Krawiec advised that we did not need the Highlands Protection Funds, which are held by Treasury, audited.

The Committee reviewed the process for securing an auditor as outlined in EO122. The Audit Committee must identify the selection criteria, and refer the criteria to the Audit Evaluation Committee. The Audit Evaluation Committee drafts the RFP and issues it to the State approved auditor vendor list. The Audit Evaluation Committee then reviews audit responses and makes a recommendation to the Audit Committee. The Audit Committee can interview the respondents, if desired. The Committee must then make an auditor selection recommendation to the full Council. It is important that the staff not be involved in the selection of the auditor, or the committee meetings with the auditor. Staff can assist with meeting organization, mailing of the RFPs and other clerical or logistical duties.

Ms Gates shared NJWSA's process and timeframe for audit selection and the audit itself. NJWSA takes approximately 5 months to select an auditor. The auditor then spends 1 to 2 months doing field work and another month of report preparation before presenting the report to the Audit Committee. Ms Gates explained the Committee's responsibility to meet with the auditor before the audit begins (not including the optional selection interview) and again at the conclusion of the audit. She advised that these meetings are generally not public meetings.

The committee then reviewed the selection criteria outlined in EO122. Mr. Dillingham made a motion that these criteria were sufficient to meet the Council's needs. Mr. Vetrano seconded. The vote was unanimous. Ms. Tracy Carluccio, Ms. Debbie Pasquarelli, and Mr. Scott Whitenack, as the members of the Audit Evaluation Committee, must now initiate the auditor selection process, using the criteria.

After opening the meeting for any public comment, and receiving none, the Committee adjourned.