

**California Walnut Board /  
California Walnut Commission**

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**CALIFORNIA WALNUT BOARD / CALIFORNIA WALNUT COMMISSION  
AUDIT COMMITTEE MEETING MINUTES**

**Monday, February 3, 2014  
Folsom, CA**

A joint meeting of the California Walnut Board and California Walnut Commission Audit Committees was held on Monday, February 3, 2014, at the CWB/CWC offices in Folsom, CA. The meeting was called to order at 1:05 a.m. by CWB/CWC Treasurer and CWB/CWC Audit Committee Chairperson Martin Mariani. Ms. Hull called the roll and the following members were present:

**CWB Audit Committee**

Martin Mariani, Treasurer  
John Kuster (via telephone)  
Robert Lea (via telephone)  
Donald Norene

**CWC Audit Committee**

Martin Mariani, Treasurer  
William Crain  
David Skinner  
Pete Turner

Ms. Hull informed the Treasurer that a quorum was present for both Committees. Also in attendance were David Ljung of Gilbert Associates, Inc; Andrea Ricci, USDA; and CWB/CWC staff members Dennis Balint, Heather Donoho and Dana Hull.

The first order of business was the approval of the minutes from the last Joint Audit Committee meeting held on September 3, 2013. CWB Audit Committee member Mr. Norene made a motion to approve the minutes as mailed, Mr. Lea seconded the motion and it carried unanimously. CWC Audit Committee member Mr. Turner made a motion to approve the minutes as mailed and Mr. Crain seconded the motion. The motion carried unanimously.

Chairperson Mariani asked Mr. Ljung to give a review of the 2012/2013 financial audit reports. Mr. Ljung began by reporting that Gilbert Associates, Inc. issued an unmodified opinion for the financial statements for both entities and that the audits were performed within the scope of the engagement letters. An unmodified opinion is new wording, replacing the term unqualified opinion, but with no change in meaning. Neither the CWB nor CWC adopted any new accounting policies and there were no disagreements with management.

Mr. Ljung then reviewed the Commission and Board "Communication With Those Charged With Governance" documents, statements of net assets, activities and cash flows, the management's discussion and analysis, supplemental schedules, and reports on internal control. Additionally for the Commission, he summarized the compliance report for MAP (in accordance with OMB Circular A-133) and the Agreed Upon Procedures (AUP), for which there were no findings or recommendations. Mr. Ljung noted no deficiencies in internal controls or material weaknesses. In the opinion of Gilbert Associates, Inc., the CWC complied, in all material respects, with the requirements that are applicable to the federal program.

Mr. Ljung stated that the Board chose to record the second payment of an endowment in its 2013/14 fiscal year (when it was paid), instead of in its 2012/13 year (when it was pledged). This

was done to avoid regulatory issues related to the budget. However, professional standards requires the full amount of the endowment be recorded in the year the pledge was made. Although immaterial to the financial statements as a whole, this must be reported. Thus, it has been noted in both the CWB "Communications With Those Charged With Governance" document and the CWB Audit Report (in the Notes to the Financial Statements section).

Mr. Crain made a motion to accept the CWC audit report as presented. Mr. Skinner seconded the motion, and it carried unanimously. On behalf of the CWB, Mr. Lea made a motion to accept the CWB audit report as presented. The motion was seconded by Mr. Kuster, and it carried unanimously.

Chairperson Mariani moved on to the next agenda item, Review and Consideration of Engagement Letters for 2013/2014 Audits. Ms. Donoho stated that fees for the upcoming 2013/14 CWB and CWC audits are up by a little more than 1% from the prior year.

On behalf of the CWC, Mr. Crain made a motion to approve the engagement letter for Gilbert Associates to perform the audit services for 2013/2014, including the state required portion of the audit (\$24,200 plus \$5,300 for state required portion). Mr. Skinner seconded the motion and it carried unanimously. On behalf of the CWB, Mr. Norene made a motion to approve the engagement letter for Gilbert Associates to perform the audit for 2013/2014 (\$22,000 total cost). Mr. Kuster seconded the motion and it carried unanimously.

Chairperson Mariani moved on to the next agenda item, which is a review of charter Items not reviewed during the last meeting. Ms. Donoho stated that most of these items have already been reviewed today by the Committee. Those remaining items may be discussed during the Executive Session.

The next agenda item, Review of USDA AMS September 2013 CWB Compliance Review, was covered by Ms. Donoho. Ms. Donoho stated that two members of the AMS Compliance Review team visited the Folsom office for three days in September 2013. During this time, they reviewed the CWB's compliance with the Marketing Order and Agreement Division's (MOAD) compliance policies. Staff has already responded to the two recommendation outlined in the AMS report. Ms. Donoho distributed a copy of the CWB response letter to committee members. The first AMS recommendation was satisfied in 2010, and the CWB staff believes the other recommendation is covered under state and federal hiring laws.

There was no other business to come before the committee, and the time and place of the next meeting shall be left to the discretion of the Treasurer and staff.

The committee conducted an executive session, the details of which follow in a separate document.

The meeting was adjourned by the Treasurer at 2:25 PM.