

**California Walnut Board /
California Walnut Commission**

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

**Wednesday, July 28, 2010
Sacramento, CA**

A joint meeting of the California Walnut Board and California Walnut Commission Audit Committees was held on Wednesday, July 28, 2010, at the Farm Bureau in Sacramento, CA. The meeting was called to order at 10:00 a.m. by CWB/CWC Treasurer Martin Mariani. Ms. Steindorf called the roll and the following members were present:

CWB Audit Committee

Martin Mariani, Treasurer
Donald Norene
Fred Spanfelner

CWC Audit Committee

Martin Mariani, Treasurer
William Crain
David Skinner

CWB Committee member Robert Lea and CWC Committee member Pete Turner were absent. Ms. Steindorf informed the Treasurer that a quorum was present for both Committees. Also in attendance were Jennifer Glass, Gilbert Associates; Jeff Smutney, USDA; and CWB/CWC staff members Dennis Balint, Heather Donoho and Dana Steindorf.

The first order of business was the approval of the minutes from the last Joint Audit Committee meeting held on February 1, 2010. CWB Audit Committee member Mr. Norene made a motion to approve the minutes as mailed, Mr. Spanfelner seconded the motion and it carried unanimously. CWC Audit Committee member Mr. Skinner made a motion to approve the minutes as mailed and Mr. Crain seconded the motion. The motion carried unanimously.

Mr. Mariani then asked Ms. Donoho to introduce the next agenda item, Review of Charter. Ms. Donoho stated that the charter, which is to be reviewed annually, is unchanged. Having reviewed the charter, the committee agreed to accept the current year charter for the 2010/11 fiscal year as is, with no changes.

Next, Jennifer Glass of Gilbert Associates discussed the audit schedule for the 2009/10 audit. Gilbert staff members will be conducting the audit the weeks of November 8 and 15. She also stated that there are new regulations for the MAP testing portion, which may necessitate additional time and sampling.

Regarding audits, Ms. Donoho will be attending a CDFA Marketing Programs Executive Committee meeting this afternoon. The purpose of the meeting is to discuss potential changes to the CDFA audit process, which is well behind schedule.

Mr. Mariani then asked Ms. Donoho to review the policy revisions and additions. Ms. Donoho detailed the red line changes, as shown in the document attached to these minutes. The changes related to property and travel have been made to clarify and/or update existing policy. However, Exhibit 2 – Business Meals is new. This section provides guidance for expenses that relate to business meals. Mr. Skinner asked that ATO on page 26 be spelled out in its entirety. With that change noted, CWB committee member Mr. Norene made a motion to approve the policy revisions and additions. Mr. Spanfelner seconded the motion, and it passed unanimously. CWC committee member Mr. Crain made a motion to approve the policy revisions and additions, Mr. Skinner seconded the motion, and it passed unanimously.

Under other business, the Mr. Balint mentioned the recent mailing the Board did to walnut hullers and growers reiterating the marketing order definitions of a handler. Also, the Committee discussed the upcoming crop year and the handler coalition subjective crop forecast.

Mr. Mariani stated that no Executive Session was necessary. The time and place of other business will be left to the discretion of the Treasurer and staff. There being no other business to come before the Committees, Mr. Mariani adjourned the meeting at 11:10 a.m.

TABLE OF CONTENTS

INTERNAL CONTROL POLICY	1
INTERNAL CONTROL - ENVIRONMENT	6
INTERNAL CONTROL - RISK ASSESSMENT	8
INTERNAL CONTROL - ACTIVITIES	10
INTERNAL CONTROL - INFORMATION & COMMUNICATIONS	12
INTERNAL CONTROL - MONITORING	14
INTERNAL CONTROL - CHECK CONTROLS	15
INTERNAL CONTROL - ASSETS	17
INTERNAL CONTROL - PAYROLL AND HR	19
INTERNAL CONTROL - FILE STORAGE	22
INTERNAL CONTROL - PROJECT MANAGEMENT	24
INTERNAL CONTROL - TRAVEL/CREDIT CARD USAGE	25
INTERNAL CONTROL - MEETING MANAGEMENT	28
INTERNAL CONTROL - GIFTS	31
INTERNAL CONTROL - PURCHASE REQUESTS	32
INTERNAL CONTROL - REQUEST FOR PROPOSAL	33
INTERNAL CONTROL - PETTY CASH	35
INTERNAL CONTROL - BOARD OF DIRECTORS FINANCIAL OVERSIGHT	36
<u>INTERNAL CONTROL - COST/INFORMATION SHARING</u>	<u>37</u>
<u>BUSINESS USE OF EMPLOYEE OWNED VEHICLES</u>	<u>38</u>
<u>EXHIBIT 1 - ALCOHOLIC BEVERAGES FOR MEETINGS AND TRAVEL</u>	<u>41</u>
<u>EXHIBIT 2 – BUSINESS MEALS</u>	<u>43</u>

Internal Control - Assets

Division of Duties

- The custodian of the fixed assets and the taking of physical inventory are separate
- Capital asset purchases require authorization
- Asset disposals require authorization
- Any equipment placement/ relocation must be communicated to the accounting department on a regular basis to ensure accurate property records.
- A physical inventory of property and equipment is taken annually.
- Fully depreciated assets are maintained in the accounting records to help provide control.

General Asset Controls

- Fixed Assets are defined as items with at least a 1-year life, costing over \$1,000.00
- Items of lesser value or shorter life are accounted for as consumables and reported as current expenses.
- All fixed assets will be logged (date, item description, cost).
- Documentation is prepared when assets are received, sold, transferred, damaged or disposed of.
- Asset capitalization includes costs required to place the asset in service including (direct costs, preparation costs, fees, damages, interest, etc.)
- The original property record will adjusted to reflect any modifications to the property.

Loan of CWB Owned property

- Loan of CWB owned equipment must be properly documented.
- Any loan of CWB equipment to an external organization or to an individual, including employees, must have prior approval.
- A list of all assigned (loaned) equipment shall be acknowledged by employee and shall be kept in employee file.~~All loaned equipment shall be listed and filed in the accounting department.~~
- Employees should exercise caution to limit assigned laptop computer exposure to unwanted viruses and / or spyware.

Disposal / Removal of Property

- The proposed disposal of property by junking, salvaging, selling, donating or trading-in these items must also be recorded following the above procedures.
- In order to remove or delete items from property inventory records, the following procedures must be taken:
 - ❖ A request to dispose of surplus property must be prepared and submitted to the accounting department.
 - ❖ A completed description of the item should be furnished.
 - ❖ Once complete and signed by the Executive Director/CEO the form should then be forwarded to the accounting department. The log will be updated.

Internal Control – Travel / Credit Card Usage

Purpose:

- This document provides a consistent standard for travel reimbursement and credit card usage.

General:

- All employees who travel overnight within or away from California shall submit a Travel Authorization Form, which shall be approved by the Executive Director / CEO prior to travel.

Advances:

- Employees may request an advance for travel and shall do so at least one week prior to departure when possible. Advances shall be approved by supervisor and should reflect the expected out of pocket expenses for the travel period.

Travel Arrangements:

- Employees shall make their own travel arrangements and shall review air fare and hotel rates to obtain the best available rates. In the case of travel associated with a business meeting, conference, trade show or convention the employee should stay at the headquarters hotel whenever possible.
- Travel (air) should take into account other costs, not simply the cost of air fare (additional hotel costs, time away from the office, etc.).
- Employees and board members may pay for / claim expenses of other employees, board members or consultants traveling with them.

Reimbursement:

- Expenses shall be both necessary and reasonable and for meal / entertainment expenses include the names of the guest on receipt.
- Expenses for private transportation shall be reimbursed at the rate published by the Internal Revenue Service for automobiles.
- Local transportation (ground transportation for example) receipts should be obtained when available.

- For telephone calls in excess of \$30, the name of person called shall be indicated on CWB telephone bill.
- Personal expenses shall not be reimbursed by CWB / CWC. Personal expenses include the cost to include family members and/or companions traveling with employees. In addition, they include stays longer than required by CWB / CWC for the travels intended purpose.
- Reimbursable expenses shall be detailed on an Expense Reimbursement Form and submitted to employee's supervisor or the Executive Director/CEO for approval.
- Breakfast shall not be reimbursed unless employee leaves residence prior to 7:00 am. Dinner shall not be reimbursed unless employee returns to residence after 7:00 pm.

Travel Allowances:

Within California:	Breakfast (incl. tax & tip)	\$20 *
	Lunch (incl. tax & tip)	\$35 *
	Dinner (incl. tax & tip)	\$60 *
	Lodging (excl. tax)	\$2300
	Incidentals	\$2015 ****
Domestic out of California:	Breakfast (incl. tax & tip)	\$2520 *
	Lunch (incl. tax & tip)	\$4035 *
	Dinner (incl. tax & tip)	\$7060 *
	Lodging	\$300 **
	Incidentals	\$2015 ****
Foreign:	Breakfast (incl. tax & tip)	\$2520 *
	Lunch (incl. tax & tip)	\$4035 *
	Dinner (incl. tax & tip)	\$7060 *
	Lodging	***
	Incidentals	\$25 ****

* Daily meal charges may be combined.

** Western states lodging will typically be less than this allowance.

*** Foreign lodging arrangements should take into account the most economical usage of funds, but safety, location, convenience and facility amenities for specific venues will also be considered. Assistance of the local embassy and/or ATO Agricultural Trade Office shall be enlisted when needed.

**** Incidentals may not include lodging, meals, entertainment, transportation, mileage or parking. These items shall be detailed on expense report when requesting reimbursement for travel expenditures.

Credit Card Usage:

- Employee usage of company issued credit cards shall be limited to expenses necessary for business travel and / or miscellaneous office purchases. Expenses may include airfare, lodging, meals, misc. travel costs, supplies and any other costs that may be incurred in the normal course of business.
- Shipments made via Federal Express or UPS are automatically charged to Accounting Assistant's company credit card. The staff member initiating charge shall provide documentation to Accounting Assistant for review and verification of charge.

Mileage Reimbursement / Rental Car Usage:

- When an employee or contractor uses their personal vehicle for business travel, CWB/CWC shall reimburse employee / contractor for mileage at current Internal Revenue Service rate. CWB/CWC shall reimburse employee / contractor for cost of rental vehicle and fuel when necessary. When renting a vehicle, employee / contractor shall obtain comprehensive and collision coverage (also called physical damage coverage) from rental vehicle company.
- For those who are not employees or contractors, CWB/CWC shall not reimburse for rental car costs due to liability issues. Mileage from airport to venue location will be reimbursed according to the guidelines set forth in the paragraph above.

Exhibit 1 – Alcoholic Beverages for Meetings and Travel

This exhibit is to provide some guidance in the purchase of alcoholic beverages for either business gathering (meals, entertainment, etc.) or formal business meetings (conferences, media events, etc.).

Cocktails

It is acceptable to purchase cocktails for a business gathering or meeting based upon the personal preferences of those in attendance. One should refrain from exotic/expensive types of spirits unless they are the norm in the city/country in which the activity occurs. Use common sense and moderation.

Wine

Wine is often an important part of a gathering or meal especially when the guests are involved with the media and/or food influentials.

It is also desirable when the interest is to build associations and attract people to events at which the industry's communications may be presented to those attending. It is an integral part of a business conference at which meals are provided for the attendees.

The following guidelines are meant to suggest a range of price that would ideally provide reasonably satisfactory choice. However, we have divided the parameters of cost based upon location.

In general, California wines should always be given preference. Wines of the United States would be the best alternative but in many U.S. cities and in overseas markets these choices may be difficult to maintain.

Travel & Meetings in California

White Wines	\$4540.00 per 750 ml
Red Wine	\$5550.00 per 750 ml

Travel & Meetings out of State – Western United States

White Wine	\$5545 per 750 ml
Red Wine	\$6560 per 750 ml

Travel & Meetings East of the Mississippi (US)

White wine	\$ 70 65 per 750 ml
Red Wine	\$85 per 750 ml

International Travel & Meetings (except trade receptions)

It is difficult to provide specific direction. Exercise good judgment since California and US wines may be double the local alternatives.

Trade receptions (Japan, Korea, and China) should keep overall cost in mind since there are usually many attendees.

Exhibit 2 – Business Meals

Purpose:

- This document provides guidelines for expenses relating to business meals.

General:

- All employees who conduct business activities within or away from California may incur expenses when dining with outside parties.

Purpose of Business Meals:

- Employees implement activities approved by the CWB and/or CWC. The CWB/CWC approves activity budgets which are designed to meet goals established by the industry during its strategic planning meetings. These goals are detailed in the Comprehensive Industry Strategic Plan. As part of these activities, employees may conduct business during meals.

Guidelines for Business Meal Expenses:

- When employees conduct business with outside parties during a meal, the outside parties may include industry members, influentials, members of the media, public relations consultants, and other agency members.
- Location of venue and convenience for outside parties should be considered, so that participation is encouraged in furtherance of industry goals.
- Cost of venue should also be considered.
- Employees should exercise fiduciary responsibility and sound judgement in regard to all meal related expenditures.
- Employees should encourage moderation during business meals, but are limited in their ability to control the choices of others in attendance.
- All receipts for meals expenses shall include the name of participants and purpose for function.
- Guidelines for alcoholic beverage purchases apply – see Exhibit 1.