

**California Walnut Board /
California Walnut Commission**

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

**Tuesday, August 18, 2009
Folsom, CA**

A joint meeting of the California Walnut Board and California Walnut Commission Audit Committees was held on Tuesday, August 18, 2009, at the CWB/CWC offices in Folsom, CA. The meeting was called to order at 10:22 a.m. by CWB/CWC Treasurer Martin Mariani. Ms. Steindorf called the roll and all Committee members were present:

CWB Audit Committee
Martin Mariani, Treasurer
Robert Lea
Donald Norene
Michael Petz

CWC Audit Committee
Martin Mariani, Treasurer
William Crain
David Skinner
Pete Turner

Ms. Steindorf informed the Treasurer that a quorum was present for both Committees. Also in attendance were 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 4, 2009. CWB Audit Committee member Mr. Petz 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. Skinner seconded the motion. The motion carried unanimously.

Mr. Mariani asked Ms. Donoho to cover the next agenda item, Review of Charter. Ms. Donoho stated that most of the charter items were reviewed by the Committee in February, however, there were several that she wanted to bring to the Committee's attention: Item 3.0 states that the charter shall be reviewed annually and there are no new regulations or accounting standards to report; there has been no need to hire professional consultants which is item 6; and Item 7 was addressed during the February meeting.

Mr. Balint asked for a clarification on item 6 of the charter (hire professional consultants as necessary). He wanted to confirm that researchers, specifically health research professionals, do not fall under the label "consultants" and would not require an RFP process for hiring. The Committees agreed that researchers provide a unique service and would not be considered consultants.

Ms. Donoho continued with the review of the charter items that need attention: Item 8 will be covered later in the meeting with the discussion of the new auto policy being presented; Item 10 will be covered under agenda item, Audit Schedule; Item 11 is nearing completion of the internal control document; Item 12 will be covered in February; and Item 16 needed clarification because it refers to review and approval of agenda for the upcoming year. Mr. Skinner suggested that the wording be changed to "solicit potential agenda items."

Mr. Norene inquired about item 9.02 and the CWB/CWC document backup on the server and the firewall. Ms. Donoho stated that the CWB/CWC has an excellent firewall and server separate from what the building management provides, and a portable backup system for the accounting program and other important programs. She can ask our computer consultant to provide a statement of what we have in place for security and backup. Mr. Balint stated that we may want to get a third party opinion. Mr. Skinner stated that the CPA firm may conduct a check of the security during the regular audit and we could ask Mr. Ljung to address it in the audit summary.

CWB Audit Committee member Mr. Lea made a motion to approve the amendments to the charter as discussed for item 16. Mr. Petz seconded the motion and it carried unanimously. CWC Audit Committee member Mr. Crain made a motion to approve the charter as discussed and Mr. Skinner seconded the motion. The motion carried unanimously.

Ms. Donoho addressed the next agenda item, Audit Schedule for 2008/09 Audit. She stated that the California Walnut Board audit is scheduled for the week of November 9, 2009. The California Walnut Commission audit will begin the week of November 16, 2009. Mr. Mariani asked if the Audit Committees will need to meet prior to the February meeting in order to review the audit reports. Ms. Donoho stated the Committees will meet in January or early February.

Mr. Balint stated that the Board will not have final crop numbers (shipments/inventory) by the fall meeting on September 11th. Ms. Donoho stated that, under the old marketing order, handler refunds had to be issued within four months after the close of the fiscal year. Mr. Mariani commented that a notice to the handlers that there is going to be a change would probably be sufficient if any of the reserve will be refunded. Mr. Balint stated that the Board must decide whether to keep all or part of the returned revenue as a reserve. He will place the issue on the agenda for the September Board meeting.

The next agenda item was Automobile Policy Review and Consideration. Mr. Mariani stated that earlier in the morning, several of the committee members met with Mr. Balint to discuss the auto policy. Ultimately, the question arose about the need for providing the staff of the Board and Commission with vehicles. The restrictions put on employees for the use of company vehicles and the level of liability assumed by the organization led them to the conclusion that the Board and Commission should adopt a policy where employees use their own vehicles. The organizations should develop a usage and coverage policy for employee vehicle use and have an umbrella insurance policy in place for that use.

Mr. Lea commented that the auto policy that was submitted to the Committee members prior to this meeting is not acceptable in its present form. A discussion ensued and the Committee agreed to dispense with the two company vehicles and adopt a policy for personal vehicle use. The Committee delegated the responsibility of adopting a policy for personal vehicle use to Mr. Lea, who will work with the Board's personnel attorney in Fresno to draft that policy for presentation to the Budget and Personnel Committee. Staff will immediately contact the insurance agency to inquire about increasing the insurance policy by \$5 million, bringing it to a total of \$6 million.

A discussion ensued about the disposal of the vehicles and compensation to the employees for personal use. Mr. Balint and Ms. Donoho will contact USDA/AMS to discuss how to show the overage on compensation on the Board financials.

CWB Audit Committee member Mr. Lea made a motion to recommend to the Budget & Personnel Committee and the Board to dispense of the two company vehicles and adopt a new auto policy. Mr. Petz seconded the motion and it carried unanimously. CWC Audit Committee member Mr. Crain made a motion to recommend to the Budget & Personnel Committee and the Board to dispense of the two company vehicles and adopt a new auto policy. Mr. Skinner seconded the motion and it carried unanimously.

CWB Audit Committee member Mr. Petz made a motion to recommend to the Budget & Personnel Committee and the Board to increase the Board's insurance policy to \$6 million. Mr. Lea seconded the motion and it carried unanimously. CWC Audit Committee member Mr. Norene made a motion to recommend to the Budget & Personnel Committee and the Board to increase the Board's insurance policy to \$6 million and Mr. Turner seconded the motion. The motion carried unanimously.

The next item on the agenda was the USDA Internal Control Follow-Up Visit. Ms. Donoho stated that Bob Conners from USDA came to the office for a follow-up visit in March. He reviewed some items that were audited about three years earlier. He issued no formal report and it will be another three to four years before he returns.

Under other business, Mr. Balint stated that the CWB Grades & Standards Committee has formed a Food Safety Working Group that will report to the committee on food quality and safety issues. The working group is meeting for the second time this coming Friday, August 21st at the Farm Bureau. Mr. Balint stated that it is very important for the industry to speak with one voice on food safety issues. A discussion ensued about steps to put pressure through the marketplace on conformity without making rules through the federal marketing order and about how food safety issues should be addressed in the industry.

The next joint meeting of the CWB / CWC Audit Committees will be Thursday, September 10, 2009, at 3:00 p.m. at the Marriott Rancho Cordova.

Hearing no further business to come before the Committees, Mr. Mariani adjourned the meeting at 11:42 a.m.