

LEISURE WORLD COMMUNITY CORPORATION
AUDIT ADVISORY COMMITTEE
Regular Meeting
January 8, 2010
Sullivan Room

MEMBERS PRESENT: Morris Krowitz, M23, Chair; Robert Bordley, M20A, Vice Chair; Nancy Kupperian, MM; Antonio Marotta, M13; Muriel Breger, M17B; Nita Farrell, M19A; John Doherty, M19B; Mark Levine, M21; and Marvin Franklin, M24.

MEMBERS ABSENT: Jay J. Kim, M5; Joyce Brown, M6C; Francis Teti, M15; Robert Moreland, M26; and Frederick A. Brahin, M27.

VISITORS: Marian Altman, M12; Paul M. Bessel, M13; and Phil Marks, M20B.

AUDITOR: Al DeLeon, DeLeon & Stang.

MANAGEMENT: Jennifer Peacock, Comptroller; and Nancy Gordon, Trust Assistant.

1. Call to Order – Because the Chair had not yet arrived, Mr. Bordley called the meeting to order at 9:00 a.m.
2. Approval of Agenda – The agenda was approved as presented.
3. Approval of Minutes - The minutes of the December 11, 2009, meeting were approved as written.
4. General Managers Report – The January 2010 report was provided to the committee.
5. DeLeon & Stang –Mr. DeLeon reviewed the 2009 audit plan and provided an agenda for his presentation. He responded to all questions and comments.

Regarding Item No. 2, Mr. DeLeon asked the committee if they were aware of any potential fraud risk, and the committee responded they were not. Mr. DeLeon said he asked management if they were aware of any, and they stated they were not.

Mr. Bordley told Mr. DeLeon that the Audit Committee recently recommended to the Board of Directors that all contracts over \$25,000 be reviewed by the appropriate advisory committee before a contract is signed. Mr. Bordley asked if the \$25,000 figure was reasonable. Mr. DeLeon said that it was reasonable and that it would provide another anti-fraud control. However, Mr. DeLeon stated, the good segregation of duties

currently in place between staff, management and volunteers already minimizes fraud risk.

6. Old Business

- a. Code of Ethics and Disclosure Statement – Two documents, a proposed Code of Ethics and a Conflict of Interest statement, for members of the LWCC Board of Directors and also for advisory committees will be sent to the Chair of the Executive Committee within the week by Mr. Krowitz. Mr. Krowitz will request from management a list of major vendors (contracts over \$25,000 annually). Mr. Krowitz will define terminology used in the Conflict of Interest statement and will send those definitions to Mrs. Altman, Mrs. Peacock and Mr. Bessel.

Mr. DeLeon concurred with Mr. Krowitz that in addition to a Code of Ethics statement, a disclosure statement is necessary.

After discussion, and upon motion duly made and seconded, the Audit Advisory Committee recommends that the Board of Directors approve the proposed Code of Ethics of the LWCC Board of Directors and Advisory Committee members with the addition of a Conflict of Interest Disclosure.

Mr. Krowitz thanked Mr. Bessel for his efforts in the drafting of both documents.

- b. Statement of Ethics for Employees – Mrs. Peacock said that management has drafted a Statement of Ethics for the employee's handbook. Mr. Krowitz said that, in addition to this document, those responsible for governance should sign a disclosure statement.

Mr. DeLeon recommended www.ethics.org as a good source of information for ethics information.

- c. Operational Audit – Mr. DeLeon was asked about the usefulness of an operational audit. Mr. DeLeon said that, in addition, to looking at efficiency of operations, an operational audit addresses compliance with internal policies and procedures and could extend to compliance of applicable laws and regulations.

When asked if DeLeon & Stang performs operational audits, Mr. DeLeon said that it does but, depending on the scope of the operational audit, their performing one at Leisure World could result in an independence violation. Mr. DeLeon said that operational audits of areas are sometimes done on an on-going rotational basis. Again, Mr. DeLeon stated that advisory committees do provide oversight in the compliance of rules and procedures but that he would give a recommendation as to what type of operational audit would be useful and that he would provide an estimated cost.

- d. Charter – Mr. Krowitz stated the Audit Charter does not need to be revised.

- e. Complaints – The Audit Financial Compliance Subcommittee has received no complaints since last reported. A notice about the subcommittee will appear in the February 2nd issue of the Leisure World News and quarterly thereafter.
7. New Business – Meeting Time Change
- The meeting time of this committee has been changed from 9:00 a.m. to 2:00 p.m.
8. Agenda Items for Consideration at Next Meeting
- Presentation of audit by DeLeon & Stang
 - DeLeon & Stang’s recommendation regarding an operational audit
 - Should we go out for bids for another auditing firm or extend our existing contract?
 - Employee Statement of Ethics
9. Open Forum – No comments or questions were presented at this time.
10. Next Meeting – The next meeting is scheduled for Friday, March 5, 2010, at 2:00 p.m. in the Sullivan Room.
11. Adjournment – There being no further business, the meeting adjourned at 3:00 p.m.

Morris Krowitz, Chair