

LEISURE WORLD COMMUNITY CORPORATION
AUDIT ADVISORY COMMITTEE

Regular Meeting
March 5, 2010
Sullivan Room

MEMBERS PRESENT: Morris Krowitz, M23, Chair; Robert Bordley, M20A, Vice Chair; Nancy Kupperian, MM; Jay J. Kim, M5; Joyce Brown, M6C; Antonio Marotta, M13; Francis Teti, M15; Muriel Breger, M17B; Nita Farrell, M19A; John Doherty, M19B; Mark Levine, M21; Marvin Franklin, M24; and Robert Moreland, M26.

MEMBERS ABSENT: Frederick A. Brahin, M27.

VISITORS: Jay Harding, M17B.

AUDITOR: Al DeLeon, DeLeon & Stang.

LEISURE WORLD
MANAGEMENT CORP. 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 2:00 p.m.
2. Approval of Agenda – The agenda was approved as amended: Add Item 6e – Review of resolution passed by Audit Committee in December 2009.
3. Approval of Minutes - The minutes of the January 8, 2010, meeting were approved as written.
4. Audit by DeLeon & Stang – Attached to the meeting packet were drafts of the “Report on Control Deficiencies and Management Letter dated December 31, 2009,” and “Independent Auditor’s Report, Financial Statements and Supplementary Information - December 31, 2009 and 2008.” Two additional documents were provided at the meeting: “LW of Maryland Trust Adjusting Journal Entries” and “Audit Difference Evaluation Form.” Mr. DeLeon reviewed the documents and responded to all questions and comments. The following additions to Notes 14 and 15 will be made:

Note 14 – The bank lease renewal date will be corrected. The beginning and expiration dates of the Cathy Gilmore real estate lease will be added.

Note 15 - A disclosure regarding accrued vacation will be added.

After discussion and upon motion duly made and seconded, the Audit Advisory Committee approved the 2009 DeLeon & Stang audit with additions to Notes 14 and 15.

Mrs. Peacock will report back to the Committee why there was no vehicle gas inventory at 12/31/2009 (Page 22) indicated. The Committee discussed the need to book accrued vacation at the time of each payroll. Mr. DeLeon will disclose the deficiency in this item as a contingency in Note 15.

5. General Managers Report – Ms. Peacock presented the March 2010 General Manager’s Report and responded to all questions and comments.
6. Old Business
 - a. Code of Ethics for LWMC Employees.

This document was included in the meeting packet but is superseded by a revised version, provided by management, which was distributed at the meeting. Recommended changes are as follows:

- Third paragraph should read: LWMC’s acts of hospitality and receipt of hospitality involving persons with whom business is conducted should be of a modest scale and nature so that they cannot be construed as compromising the integrity or impugning the reputation of the recipient, the employee or the company.
- Fourth and fifth paragraphs: Eliminate word “Company” as it could be misleading.

Upon motion duly made and seconded, the Audit Advisory Committee approved the Code of Ethics for LWMC Employees as amended.

The Committee discussed enforcement of the Code of Ethics.

Upon motion duly made and seconded, the Audit Committee recommends that failures to comply with the Code of Ethic Statements by other than LWMC employees be reported to the Audit Committee for their recommendation to the Board of Directors for appropriate action. LWMC employees would be reported to the LWMC Human Resources Department or the General Manager or Assistant General Managers of LWMC.

b. Conflict of Interest Statement

The Committee agreed that in addition to the Conflict of Interest Statement being signed by the LWCC Board of Directors, it should be signed by chairs of advisory committees, management level LWMC employees charged with governance of the organization (General Manager, Assistant General Managers, Department Heads of E&R, PPD, Medical Center, Property Managers and the Cooperative Manager). Additionally, should advisory committee members find that they have a conflict they should disclose it by completing a Conflict of Interest Statement (Disclosure Statement.)

After discussion and upon motion duly made and seconded, the Audit Advisory Committee approved the Conflict of Interest Statement as amended to include management level employees of LWMC and advisory committee chairs.

c. Proposed Code of Ethics for LWCC and Members of Advisory Committees

This document, approved at the last Audit meeting, was included in today's meeting packet. However, after discussion, the committee recommends changing Item 9, second sentence to read: "If requesting a reimbursement of expenses, it will only be for amounts that I have actually spent on behalf of Leisure World or its committees in compliance with Leisure World reimbursement policies, and I will make such requests in a timely manner." This change is for clarification purposes only and does not change the intent of Item 9.

d. Operational Audit – Mr. Krowitz stated that the purpose of an operation audit is to audit certain specific functions or activities within an organization not the organization's complete activities.

e. Advisory Committee Review of Contracts over \$25,000 – Mr. Bordley

The LWCC Executive Committee at its January 15, 2010, made a motion regarding the Audit Committee's recommendation that contracts over \$25,000 be approved by the applicable advisory committee before signing. There was not a second to the motion and it failed.

Mr. Krowitz asked the Audit Committee to be prepared to discuss at its next meeting the question: Should advisory committees review major contracts and how should "major" be defined as to dollar amount and longevity?

7. New Business – Current Contract with DeLeon & Stang

The Committee will recommend that the current DeLeon & Stang contract which expires December 31, 2010, be extended for one year and that bids be solicited from auditing firms for a new contract beginning January 1, 2012.

After discussion and upon motion duly made and seconded, the Audit Committee recommends that the current contract with DeLeon & Stang be extended for one year.

8. Agenda Items for Consideration at Next Meeting

Should advisory committees be involved in major contracts and purchases and, if so, to what extent?

9. Open Forum – Comments were received and noted.

10. Next Meeting – The date of the next meeting is scheduled for May 7, 2010.

11. Adjournment – There being no further business, the meeting adjourned at 4:30 p.m.

Morris Krowitz, Chair