

New Jersey Public Broadcasting Authority

Meeting of the Audit Committee

December 17, 2013 at 3:00 p.m.

New Jersey Public Broadcasting Authority
Conference Room and by Conference Call
25 S. Stockton Street
Trenton, New Jersey 08608

MINUTES

Anthony Della Pelle, Chair, Presiding

Minutes of the meeting of the New Jersey Public Broadcasting Authority (“NJPBA” or “Authority”) Audit Committee (the “Committee”) held at the New Jersey Public Broadcasting Authority, 25 S. Stockton Street, Trenton, New Jersey, 08608, and by Conference Call on Tuesday, December 17, 2013, at 3:05 p.m.

1. CALL TO ORDER, OPEN PUBLIC MEETINGS ACT STATEMENT AND ROLL CALL

Chair of the NJPBA Audit Committee, Mr. Anthony Della Pelle, called the meeting to order. Chair Della Pelle read the Open Public Meetings Act statement as follows: In accordance with the provisions of the Open Public Meetings Act of the State of New Jersey, notice of this meeting has been filed with the Office of the Secretary of State, has been posted on the appropriate bulletin boards maintained for such purposes by the Authority, and distributed by press release to two daily newspapers in New Jersey. Notice was made in advance of this meeting.

Chair Della Pelle then requested a roll call. NJPBA Audit Committee Members present and participating at the meeting were Anthony Della Pelle, Chair (*via phone*); Guy Tassi (*via phone*); and Christopher Mathews (*via phone*). Also present and participating were Sherise Ritter, Principal, Mercadien, P.C. (*via phone*); Jill Ann Murphy, Director, Mercadien, P.C. (*via phone*); and Kavin K. Mistry, Assistant Attorney General. Also present were John Blair, NJPBA Executive Director; Amy Herbold, Governor’s Authorities Unit (*via phone*); and Nichol Gee, Office Manager, NJPBA (*taking minutes*).

After the roll call, Mr. Blair stated that he was present only to facilitate the start of the meeting, and that in accordance with Executive Order No. 122 (McGreevey 2004), he was exiting the meeting. Mr. Blair said that Ms. Gee would stay to take the minutes. Mr. Blair left the room at 3:06 p.m.

2. RESOLUTION APPROVING THE MINUTES OF THE JULY 30, 2013 AUDIT COMMITTEE MEETING

Chair Della Pelle asked for a motion to approve a Resolution Approving the Minutes of the July 30, 2013 Audit Committee Meeting. Mr. Tassi made a motion to approve the resolution. Mr. Mathews seconded the motion. Chair Della Pelle asked if there were any changes to the minutes. No changes were indicated. Chair Della Pelle asked for a roll call vote to approve the Resolution Approving the Minutes of the July 30, 2013 Audit Committee Meeting. The motion was voted upon and approved unanimously.

3. DISCUSSION OF THE NEW JERSEY PUBLIC BROADCASTING AUTHORITY FISCAL YEAR 2013 AUDIT REPORT

Chair Della Pelle asked Ms. Ritter and Ms. Murphy to present an overview of the NJPBA Fiscal Year 2013 ("FY13") Audit Report. Ms. Murphy confirmed that the Members had received the 2013 Audit Results report, a draft of the FY13 Financial Statements, and a draft of a management representation letter prior to the meeting. Ms. Murphy referred to the 2013 Audit Results report throughout her presentation.

Ms. Murphy reviewed the audit status and open items, required communications, significant issues discussed with management, and the accounting policies and practices followed by the Authority. Ms. Murphy stated that NJPBA management was conservative in applying generally accepted accounting principles ("GAAP") and selected preferable accounting practices in all areas. Ms. Murphy stated that the only significant issue discussed with management were transactions related to the Trust Fund for the Support of Public Broadcasting ("Trust Fund"), and that under the Governmental Accounting Standards Board ("GASB") Statement Number 33, the funds were recognized by the Authority when spent.

Ms. Murphy reviewed the summary of significant accounting estimates, all of which were considered appropriate by the auditors. Chair Della Pelle asked if the allowance for doubtful accounts referred to receivables that may or may not be collected. Ms. Murphy confirmed that was correct.

Ms. Murphy reviewed the recorded audit adjustments, which are adjustments made during the course of the audit. Ms. Murphy stated that most adjustments were related to end-of-year and accrual related adjustments. Ms. Murphy said that as accounting decisions are made during the course of the year, there should be a more in-depth review of the numbers at the time they are recorded rather than waiting until the end of the year. Mr. Tassi asked if Mr. Dominic Marrocco from the State of New Jersey Department of the Treasury, Office of Management and Budget ("OMB") should conduct a quarterly review of the records. Ms. Murphy said that would be appropriate and that there should be a deeper review of records such as deferred revenue and prepaid expenses. Ms. Murphy also suggested that Mr. Marrocco work more closely with Ms. Lynn Pennell,

Finance Manager for the NJPBA, in June to review the accruals, deferred revenues, and Trust Fund records.

Ms. Murphy stated that there were no uncorrected misstatements in the audit, the auditors had no disagreements with management, and that there were no difficulties encountered in performing the audit. Ms. Murphy stated that the auditors had good cooperation from management, and the only significant issue encountered was the accounting of the Trust Fund monies, as previously stated. Ms. Murphy said there were no material weaknesses noted.

Ms. Murphy stated that Mercadien, P.C. (“Mercadien”) submitted a separate letter communicating control deficiencies in internal control over financial reporting. She said there were three areas noted in the letter. First, Ms. Murphy stated that Ms. Pennell should keep records reconciling funds that revert back to the State of New Jersey at the end of the fiscal year. Second, Ms. Murphy said Mercadien had reviewed the agreements for the sale of the radio stations to WHYY and WNYC and could not find documentation supporting the reimbursement of expenses that WHYY and WNYC are paying the NJPBA. She said there should be an agreement between the companies documenting the expenses being reimbursed. Third, Ms. Murphy stated that the Authority needed to review the tower rental contracts for expiration and renewal dates to ensure proper billing and payments.

Ms. Murphy stated that management would submit a management representation letter to Mercadien confirming that management provided the auditors with all the information necessary to complete the audit. Mr. Tassi asked if the Committee needed to follow up on the tower contracts issue or if management indicated that it was being addressed. Ms. Murphy recommended that the Committee follow up on all the issues presented.

Ms. Murphy reviewed the structure of the auditor’s opinion and the financial statements per generally accepted government accounting standards (“GAGAS”). Ms. Murphy stated that there were no findings included in the financial statements because there were no areas of non-compliance. Ms. Murphy then reviewed highlights of the financial statements, and there was a brief discussion clarifying the definition of terms therein. Ms. Murphy stated that the remaining pages of the audit report contained an overview of how the auditors conducted the audit, Mercadien’s core principals, contact information for both Ms. Murphy and Ms. Ritter, and references to the control deficiency letter and the management representation letter, both of which were provided separately.

There was a brief discussion comparing previous audits with the FY13 audit. Consensus was that this audit was simplified since FY13 was the first year completely under the new operating model. Ms. Ritter stated that the only major issue was accounting for the Trust Fund. Ms. Murphy stated that those funds need to be recorded on the NJPBA books. Mr. Tassi and Ms. Murphy discussed the information that Ms. Pennell requires in order to properly record the Trust Fund transactions. Ms. Murphy used the State House Studio as an example, and Chair Della Pelle asked if the NJPBA had assets associated with the studio and equipment at the State House. Assistant Attorney General Mistry stated that

NJPBA did not have assets at the State House. He said that NJPBA funded the construction of the studio in the State House, and Public Media NJ, Inc. ("PMNJ") purchased the equipment for the space. Ms. Murphy stated that NJPBA did not have any assets at the State House, but that the construction funds needed to be accounted for as a Trust Fund transfer and then expensed in the NJPBA books. Ms. Murphy said that other projects funded from the Trust Fund did create NJPBA assets.

Chair Della Pelle asked if he could share the 2013 Audit Results report with the full NJPBA Board. Ms. Ritter and Ms. Murphy said he could, and they would remove the "draft" notation from the financial statements once they received the management letter.

4. RESOLUTION OF THE AUDIT COMMITTEE OF THE NEW JERSEY PUBLIC BROADCASTING AUTHORITY RECOMMENDING ACCEPTANCE OF THE FISCAL YEAR 2013 AUDIT REPORT

RESOLUTION OF THE AUDIT COMMITTEE OF THE NEW JERSEY PUBLIC BROADCASTING AUTHORITY RECOMMENDING ACCEPTANCE OF THE FISCAL YEAR 2013 AUDIT REPORT

WHEREAS, the New Jersey Public Broadcasting Authority (the "Authority") was created pursuant to the New Jersey Public Broadcasting Authority Act of 1968, L. 1968, c. 405, as amended (the "Original Act"), including by the New Jersey Public Broadcasting System Transfer Act, L. 2010, c. 104 (the "Transfer Act," and together with the Original Act, the "Act");

WHEREAS, the Audit Committee established pursuant to Article IX, Section 1 of the By-Laws and in accordance with the requirements of Executive Order No. 122 (McGreevey 2004) ("EO 122") has reviewed the Independent Auditor Report from the firm of Mercadien, P.C., the Independent Auditor to the Authority, for Fiscal Year 2013 ("Fiscal Year 2013 Audit Report"); and

WHEREAS, the Audit Committee recommends acceptance of the Fiscal Year 2013 Audit Report by the Members of the Authority.

NOW, THEREFORE, BE IT RESOLVED BY THE AUDIT COMMITTEE OF THE NEW JERSEY PUBLIC BROADCASTING AUTHORITY AS FOLLOWS:

1. The Audit Committee hereby recommends that the Members of the Authority accept the Fiscal Year 2013 Audit Report from the firm of Mercadien, P.C., the Independent Auditor to the Authority.
2. This resolution shall take effect immediately in accordance with the Act.

Chair Della Pelle asked for a motion to approve a Resolution of the Audit Committee of the New Jersey Public Broadcasting Authority Recommending Acceptance of the Fiscal Year 2013 Audit Report. Mr. Mathews made a motion to approve the resolution. Mr. Tassi seconded the motion. Chair Della Pelle asked for a roll call vote to approve the Resolution of the Audit Committee of the New Jersey Public Broadcasting Authority Recommending Acceptance of the Fiscal Year 2013 Audit Report. The motion was voted upon and approved unanimously.

5. OTHER BUSINESS

Chair Della Pelle asked if there was any other business the Committee needed to discuss. The Members demurred.

6. ADJOURNMENT

Chair Della Pelle thanked everyone for their participation and asked for a motion to adjourn. Mr. Tassi made a motion to adjourn the meeting. Mr. Mathews seconded the motion. The motion was voted upon and approved unanimously. The meeting was adjourned at 3:35 p.m.