

**CITY OF FORT LAUDERDALE
AUDIT ADVISORY BOARD
Minutes
March 5, 2007 Meeting**

Members In Attendance

**Cumulative
January – December 2007
Present Absent**

Harry Sweeney, Chairperson	P	1	0
Norman Thabit, Vice Chairperson	P	1	0
Kevin Blair	A	0	1
Mike Moskowitz	P	1	0

Ex-Officio Members

Betty J. Burrell, Director of Finance
Joanne Rizi, Controller
Jim Behrendt, Controller

Staff & Guests

John Herbst, City Auditor
Allyson Love, Director, Office of Management & Budget
Renee Foley, Assistant Internal Audit Director
Tom Bradley, Partner, Ernst & Young LLP
Alyson Silva, Senior Manager, Ernst & Young LLP
Patrice Jones, Manager, Ernst & Young LLP
Travis Woods, Prototype Inc.

I. CALL TO ORDER

Chair Sweeney called the meeting to order at 5:07 p.m., and a roll call confirmed that a quorum was present.

II. APPROVAL OF MINUTES

• **December 4, 2006**

Motion made by Vice Chair Thabit to accept the minutes of December 4, 2006 Audit Advisory Board Meeting. The motion was seconded by Mr. Moskowitz and passed unanimously.

III. FINANCIAL STATEMENT

Tom Bradley and Alyson Silva, Ernst and Young LLP, reported on the audit results and communications. Mr. Bradley reported the audit was substantially completed, one legal letter listed as outstanding in the report has been received. The final version would be ready in March 2007, and sent to the Auditor General.

Ms. Silva explained the various sections of the report emphasizing new requirements and reports that would be implemented in the near future.

Chair Sweeney inquired about impairments listed in the report. Ms. Silva reported that some impairments would not be covered by insurance.

Mr. Bradley reported that no proceeds had been recovered from the insurance company above deductible related to storm damage. Mr. Bradley advised that The City underwent analysis to determine other impairments. Due to the age of the Ft. Lauderdale infrastructure and the depleted depreciation, some assets produced zero impairment.

Ms. Silva reported about \$47,000,000 dollars in hurricane costs. Significant work was required to determine FEMA and State sponsored recovery funds.

Chair Sweeney noted the \$3.8 million dollars included as restatement for infrastructure seemed very low. Ms. Silva reported Retroactive Recording of Infrastructure began in 2002 and this year the provision was enacted to encompass anything that dated after 1980. The \$3.8 million dollars represented depreciated value of infrastructure completed since 1980.

IV. FINANCIAL STATEMENTS

- **Year ended September 30, 2006**

Mr. Moskowitz inquired about the Florida State Revolving Loan (page 10).

Ms. Burrell, Director of Finance, explained that the Revolving Loan is used for sewage and water works and is funded by water and sewer taxes. Mr. Moskowitz asked how this fit with the Waterworks 2011 plan. Ms. Rizi, Controller, explained the project had been re-estimated at \$70,000,000 over the original budget, bringing the total cost of the project to \$760,000,000. Ms. Burrell reminded the Board that the same fund is used for ongoing maintenance to the City's water infrastructure. The City Commission is funding the work with a 2.5% annual increase in water and sewer taxes.

Chair Sweeney questioned whether delinquent property taxes would affect the Financial Statement if property values dropped and owners would not be able to afford back taxes. Ms. Rizi explained that the Financial Statement would not be affected because overdue taxes are deferred revenue. Mr. Moskowitz noted that property taxes increased \$13,000,000 and public safety expenditures rose by \$19,000,000 and suggested expenses must be lowered. Ms. Rizi explained that the expenditures were mostly hurricane related.

Chair Sweeney inquired into the City Pension Funds investment. Mr. Behrendt, Controller, explained that the funds had not grown in value in the equity markets due to a combination of increasing pension payments and poor markets. The Trustees of the Pension Fund have agreed to an external audit to be performed by Ernst and Young LLP.

- **Management Letter**

Vice Chair Thabit inquired about the status of the bank reconciliation. Ms. Burrell explained that it is progressing but FLL Finance intended to ask for funding for additional staff during the FY08 budget process. He indicated they are understaffed during audit time and intend to ask for increased funding. Vice Chair Thabit recommended that Finance address each finding in the Ernst and Young report so the City Commission will have a clear understanding of what is needed when the report is presented to them.

Motion made by Vice Chair Thabit to draft a letter with the recommendation of additional accounting staff for FLL Finance to be sent to the City Manager. The motion was seconded by Mr. Moskowitz and passed unanimously.

Vice Chair Thabit stated no motion was needed to accept the Financial Statements but made note that the Board had reviewed and approved the Financial Statements.

V. INTERNAL AUDIT REPORTS ISSUED IN FY 06/07

Ms. Love, Director, Office of Management & Budget distributed an overview of internal audit reports stating that the full reports are available on the City website.

Mr. Sweeney recommended adding these reports to future agendas to provide Board Members time to read the full reports. He requested Ms. Love notify Board Members when new reports are posted to the web site. Ms. Love agreed and stated she would send email notices of postings.

VI. STATUS OF RISK FUND BALANCE / ACTUARIAL REPORT

Chair Thabit asked about the status of the Risk Fund. Ms. Rizi reported the Risk Fund broke even in 2006. Mr. Bradley reported the Fund has a \$4 million dollar surplus at present. Ms. Burrell reported John Walsh was hired as a Risk Manager and he will work to minimize worker's compensation risk.

VII. STATUS OF PEB RFP

Ms. Rizi explained that the Post Employment Benefit figures were delayed because the City is re-bidding the insurance. Chair Sweeney added that plenty of time remains, as the GASB Rule would not be applicable until fiscal year 2008. Mr. Burrell stated a meeting is scheduled on March 15, 2007 to develop the City's RFP and attempt to get bids.

VIII. OTHER BUSINESS

No other business was presented.

IX. NEXT MEETING DATE

No meeting date was set.

Vice Chair Thabit asked about changes to the Reports that were discussed today. Mr. Behrendt stated that the Report would be presented to the City Commission on March 20, 2007 and minor changes may be made at that time. Vice Chair Thabit stated he would like to see the changes to the management letter. Ms. Burrell reported that she would send the letter electronically prior to filing the report on March 20, 2007.

Mr. Behrendt suggested the audit begin early this year, he recommended late summer.

Vice Chair Thabit requested the Charter be put on the Agenda for the next meeting, explaining that when the Charter was adopted the Board exempted the provision of selecting an external auditor and he felt that issue should be re-addressed.

XI. ADJOURNMENT

There being no further business the meeting adjourned at 6:21 p.m.