

**CITY OF FORT LAUDERDALE
 AUDIT ADVISORY BOARD MINUTES
 Tuesday, November 27, 2007 at 5:00 p.m.
 City Hall, 1st Floor, Commission Chambers
 100 North Andrews Avenue, Fort Lauderdale, Florida**

<u>Board Members</u>	<u>Attendance</u>	<u>Cumulative</u>	
		<u>January – December 2007</u>	<u>Present</u>
Norman Thabit, Chairperson	P	2	0
Mike Moskowitz, Vice Chair	P	2	0
Delores McKinley	P	1	0

Ex-Officio Members

Betty J. Burrell, Director of Finance
 Bob Mays, Treasurer
 Jim Behrendt, Controller

Staff

John Herbst, City Auditor
 Allyson Love, Director, Office of Management & Budget
 Renee Foley, Assistant Internal Audit Director

Others Present

Tom Bradley, Partner, Ernst & Young LLP
 Patrice Jones, Manager, Ernst & Young LLP
 Cynthia Borders-Byrd, C.P.A.
 Elizabeth Rivera, Recording Clerk, Prototype Inc.

- **Roll Call**

The meeting was called to order at 5:01 p.m.

- **Approval of Minutes from March 5, 2007 Meeting**

Motion made by Mr. Moskowitz, seconded by Mr. Thabit, to accept the minutes of the March 5, 2007 Audit Advisory Board meeting with requested corrections. In a voice vote, the motion passed unanimously.

- **Introduction of New Board Member, Delores McKinley**

Ms. McKinley introduced herself stating she works with the Broward County Schools in the Audit Department as Director and has been a resident of Fort Lauderdale for most of her life.

- **Elect New Chairperson**

Mr. Moskowitz nominated Mr. Thabit as Board Chair, seconded by Ms. McKinley. Mr. Moskowitz then nominated himself as Vice Chair, seconded by Ms. McKinley. Upon acceptance of the nominations and a voice vote, Mr. Thabit was elected Board Chair, and Mr. Moskowitz was elected as Vice Chair.

- **Status of External Auditor's Work Progress for Annual Audit FY 2007**

Mr. Bradley provided a booklet to the Board for their review. He also introduced Ms. Jones and Ms. Borders-Byrd, both of whom will work on the FY 2007 Audit.

Information in the booklet was reviewed as follows:

- ✓ The organizational chart of the people on the team
- ✓ Diagram of work product showing a focus on quality and communication
- ✓ Identification of technical issues and resources available
- ✓ Deliverables to be produced for audit
- ✓ Principal focuses of audit, i.e., internal controls, compliance with laws and regulations, single audit (A133), and Chapter 10550 of Rules of Auditor General
- ✓ Report of findings
- ✓ Larger user waste water treatment rate computation
- ✓ Management letter for suggestions
- ✓ Issuance of a report to the Auditor General with summary to City
- ✓ Identification of risk areas as seen from the City's financial statements
- ✓ Audit of account balances - consistent with previous year
- ✓ Reassessment at year end
- ✓ Procedures for internal controls, processes identified as significant, and testing of controls
- ✓ Procedures and considerations for primary audit, fraud identification

Mr. Bradley pointed out that they generally make inquiries of management and lower level employees, as well as question audit committees regarding instances of fraud or if

any allegations of fraud have been heard. Chairperson Thabit stated he was unaware of any at this time.

Timetable for activity and key elements of the audit:

- ✓ Interim procedures with focus on development of audit plan and understanding internal control environment
- ✓ Commencement of year end procedures (to be started the following week); i.e., testing of significant accounts identified, single audit testing
- ✓ Work on respective reports in January and February including management letter, single audit report, and financial statements
- ✓ Issuance of reports in February

Mr. Bradley stated they had planned to commence fieldwork the previous week, but had been asked to delay until the following week.

New procedures in government accounting and auditing were reviewed.

A RFP for an expert regarding post-employment benefits has been done, with proposals expected-to-be-reviewed the following day. It is hoped the report will be completed by the time the City has issued its financial statements for 2007.

Mr. Bradley specifically pointed out new definitions for reporting of internal control deficiencies over financial reporting and compliance, as well as audit documentation.

Required communications for government auditing was also discussed, i.e., preparation of a financial statement audit and audit reports.

An "opinion" on compliance will not be provided.

Mr. Bradley also asked the Board if there were any areas for specific focus during the audit.

Chairperson Thabit asked that "component units" be incorporated within the confines of the financial statement, i.e., Lauderdale Isles Water Management Control District. He felt this should be looked at by the City, and although not necessarily material from an audit standpoint, may satisfy State requirements for meeting audit requirements when exceeding the threshold. It was noted a special audit is being conducted on the Fire Bond issue.

Chairperson Thabit asked for the status on the report for the management letter comments and whether it has been corrected. He had received a draft, but not the final report. Mr. Bradley agreed to send a copy of the final report.

Chairperson Thabit asked that another meeting be scheduled in January to discuss several issues and requested, under New Business, that they be given the status of each item, as outlined under management comments for FY 2006.

Ms. Burrell announced her resignation as City Finance Director to the Board.

- **Internal Audit Reports Issued in FY 06/07 and FY 07/08**

Ms. Foley advised all reports had been sent out via email and posted to the website. She provided a brief overview as follows:

- ✓ Bayview Park Challenge Grant - a special report was submitted to the County - no issues were reported.
- ✓ 06/07-XX-07 combined three grants - Riverland Park Swim Central, Bayview and George English Parks- an internal report was provided to improve internal controls - commonalities included Parks and Recreation did not progressively bill the County at project stages of completion (25%, 50% and 75%) and they waited to the end (100%) to request reimbursement, approvals of pay requests for contractor draws were not always obtained, quarterly status reports were incomplete and not signed - recommendations were issued to address those areas; Bayview had no SDBE compliance and was completed late for Riverland; Riverland had retainage issues and did not obtain final as-builts from the contractor; George English had insufficient insurance coverage.

Chairperson Thabit asked if the deficiencies had resulted in the loss of grant funds and was advised by Ms. Foley that they had not lost any grant funding and, to her knowledge, the issues outlined had been corrected.

Ms. Foley noted that the reports and management comments, as well as proposed action to implement to correct deficiency and estimated completion date for resolution were posted to the website.

With regard to a consultant who had been hired by the City to prepare a feasibility study and preliminary design, work had been done prior to the Interlocal Agreement effective date, which should not have been done and, in addition, a certification of payments to the subcontractor and supplier was not submitted with the City's invoice - which issue had been resolved. Reimbursement was made from the County.

The Broward Beautiful GreenSHADE grant had a few issues, i.e., the project had been completed, but the City had not invoiced the County for reimbursement. A closeout report was prepared and not submitted. Mr. Thabit asked if the County was actually invoiced and City reimbursed. Ms. Foley responded yes, but back at the time the audit was done, the County had not been invoiced.

For 06/07-XX-10 there had been several findings with the SHIP audit, several of which were: inadequate internal controls to properly track and monitor SHIP funds, City-established goals not meeting the State's mandate, lack of advertisement to the public of availability of the funds per Florida Statute, a list of first-come first-serve qualified applicants was not developed, inadequate internal controls over processing documentation, monitoring loans and grants for repairs and substantial rehab, and purchase assistance fee waiver inadequacies. Ms. Love stated that the report to Florida Housing (FHFC) has been provided.

It had been found in the Review of Revenue Collections–Treasury Division, that the City had not collected over \$2 million in utility billing receivables over 90 days past due, and there were issues regarding internal controls of the security environment including ineffectiveness of the surveillance camera system on the first floor. Recommendations were made to resolve those problems. Mr. Mays stated property liens have already been filed for the majority of the \$2 million receivables outstanding.

Mr. Thabit asked if there was a procedure in place to ensure that at the time of a closing the title companies are informed of these liens. Mr. Mays said that the City provides a lien search service to any title company. Mr. Thabit asked if there was a procedure to periodically review real estate transactions through the Broward County public records to verify if a residence has been sold or title transferred because the title companies could be held liable for the liens. Mr. Mays did not believe so, but stated that he would check.

Ms. Foley continued that written policies and procedures have not been completed for the Treasury Division Revenue Collections. Mr. Thabit asked if there was a write-off procedure in place. Mr. Mays stated that instructions had been given for staff to work with the City Attorney to come up with a better write-off procedure.

Mr. Mays indicated a contract is currently being negotiated with a new vendor to replace and implement the current utility billing system.

Discussion continued regarding old bonds (dating back to 1967). Ms. Foley indicated they did not have a bond register; however, Mr. Mays stated register had been located, the bond counsel had been contacted, and expired bonds are to be disposed of in the near future.

Chairperson Thabit asked that the Board continue to be provided with the same status report at the next meeting.

- **Review of City's Financial Status**

Per Ms. Love, monthly financial reports are provided to the City Commission and posted to the website.

- **Other Business**

None.

- **Next Meeting Date**

Chairperson Thabit asked that the next meeting be scheduled in January 2008, with another scheduled in February 2008. He asked that the following be placed on the January 2008 meeting agenda for discussion: 1) the ordinance establishing the Audit Board, 2) the Charter of the Audit Board, and 3) internal audit reports. He further suggested that changes may need to be made to the Audit Board Charter and ordinance and, in addition, whether the Board should reevaluate Board appointment structure in that there appears to be a problem in getting vacancies filled.

Ms. Love stated she would check the calendar for future meeting dates.

- **Adjournment**

There being no further business, the meeting adjourned at 5:55 p.m.

[Minutes prepared by L. Edmondson, Prototype, Inc.]