

**CITY OF FORT LAUDERDALE
 AUDIT ADVISORY BOARD MINUTES
 MONDAY, FEBRUARY 11, 2008 AT 5:00 P.M.
 CITY HALL, 1ST FLOOR, COMMISSION CHAMBERS
 100 NORTH ANDREWS AVENUE
 FORT LAUDERDALE, FLORIDA**

<u>Board Members</u>	Attendance	Cumulative January – December 2008	
		Present	Absent
Norman Thabit, Chairperson	P	1	0
Mike Moskowitz, Vice Chair	P	1	0
Delores McKinley	P	1	0
Joseph Welsch	P	1	0

Ex-Officio Members

Raymond Mannion, Director of Finance

Staff and Guests

John Herbst, City Auditor
 Allyson Love, Director, Office of Management & Budget
 Renee Foley, Assistant Internal Audit Director
 Jim Hamill, Audit Manager
 Valerie Florestal, Financial Management Analyst
 Steven Scott, Assistant City Manager
 Lisa Edmondson, Recording Clerk, Prototype Inc.

- **Roll Call**

The meeting was called to order at 5:02 p.m. by Chair Thabit; it was determined a quorum was present.

- **Approval of Minutes from November 27, 2007 Meeting**

Motion made by Mr. Moskowitz, seconded by Ms. McKinley, to accept the minutes of the November 27, 2007 Audit Advisory Board meeting. In a voice vote, the motion passed unanimously.

- **Review of Ordinance and Duties of the Audit Advisory Board**

Chair Thabit stated there had been a discussion with Mr. John Herbst, the City Auditor, and felt since Mr. Herbst was familiar with the financial records of the City, he should be

a member of the Audit Advisory Board. Chair Thabit opened the subject up to discussion by the Board members.

Ms. McKinley asked if Mr. Herbst would be a voting member, and the Chair felt it would be appropriate. Mr. Welsch expressed concern with having a City Auditor as a member of an Advisory Board that is basically composed of citizens of the community rather than employees. Mr. Welsch agreed the City Auditor should be attending meetings and providing advice, but questioned whether the Auditor being a member was even prohibited by the City. Mr. Herbst assured the Board the City Attorney had been consulted, and the City Attorney had no concerns.

Mr. Herbst stated there was some usefulness and value to having the City Auditor on the Board as he represents the will of the City Commission, as does the Advisory Board, so a partnership could be formed.

Mr. Moskowitz stated he had no problems with the City Auditor being a voting ex-officio member. Chair Thabit explained his thought process on adding Mr. Herbst to the Board, citing the following:

- Sometimes there is a problem getting enough members on the Audit Advisory Board.
- The City Commission asked the City Auditor to review and conduct an audit on the Fire Bond issue, and the audit did not come through the Board.
- The Audit Advisory Board would be kept apprised of all audits.

Mr. Mannion questioned whether the City Auditor should act as an issuer, reviewer, and commentator on his own work. Chair Thabit explained the Board would be reviewing audits conducted by external auditors, not the City Auditor's work.

Mr. Welsch noted the Audit Advisory Board works for the City Commission also, and should possibly look at reviewing internal audits. Chair Thabit stated the issue was open for discussion, the ordinances should be reviewed and could be covered in another meeting. Chair Thabit pointed out any changes in scope would need to be provided for in the ordinances. Chair Thabit also reminded the members the Board had been established before the City Auditor position was established, and the issue had not been dealt with at the time the ordinance was originally written.

Mr. Mannion commented that the breadth of scope is being expanded to include the City Auditor's work, and his becoming a member of the Board. Mr. Herbst provided an explanation of the City Auditor's method by which audit results are promulgated. Follow-up audits are also brought back to the Commission in the same manner. All of

the City Auditor's reports are reported directly to the Commission per the charter, and the reports becomes final when they are presented to the Commission.

Chair Thabit suggested the ordinance be revised to say the City Auditor's report come to the Audit Advisory Board first for comment, and then reported to the City Commission. Mr. Herbst expressed concern over adopting an ordinance directing the City Auditor on how to perform auditing functions, and warned it might be a violation of the charter. Mr. Herbst explained the auditing function was established by charter, and the Audit Advisory Board could not become an oversight body over the Auditor's function.

Chair Thabit explained external audits were not reviewed in final form, but were presented after being issued. The Board could then follow up with questions after the review of the reports. The same wording could be used to include internal audits.

Mr. Mannion again expressed concern that at some point the Audit Advisory Board would be reviewing certain City Auditor follow-ups. Chair Thabit felt it was possible, as it was the responsibility of the Board to inform the City Commission if actions had been recommended or if corrections have been made. Chair Thabit noted when the City had a "breakdown" recently, it was the responsibility of the Board to advise the City Commission of corrective actions not being taken.

Ms. Love stated, for clarity, there was a Budget Advisory Board in existence during the breakdown the Chair was referring to.

Chair Thabit also pointed out another deficiency in the ordinance regarding the Auditor selection process, and whether or not the Board was responsible for selecting external auditors with ex-officio members of the City Staff. Chair Thabit suggested the Board review that responsibility as written in the ordinance. Mr. Mannion pointed out the responsibility currently was to recommend, not to select.

Mr. Mannion requested further discussion on the City Auditor being a member of the Board and reviewing an internal audit. Mr. Mannion asked how the City Auditor would participate as a Board member versus as an ex-officio member of the Board. Chair Thabit stated there may be conflict, but as it stands the City Auditor can make a recommendation to the City Commission as it relates to audit work. The City Commission does not have to accept his recommendation, but probably the City Commission is going to side with him. Mr. Mannion reiterated there could come a time when there are conflicts between his work and being a member of the Board.

Chair Thabit reminded the Board when the auditors went out for the audit on the bond funds, the audit "skirted" the Audit Advisory Board. Chair Thabit suggested if the Board

was going to be an advisory committee, the Board should be able to review the audit related to the use of City funds.

Mr. Welsch noted if the City Auditor is on the Board, he could cast the vote in favor of going ahead with his own recommendation. Mr. Herbst provided under the charter, the City Auditor could go ahead with his own recommendation anyway. Mr. Herbst explained the City Auditor being on the Board would provide more of a dialog before proceeding and the Board would have the opportunity to weigh in on the issues.

Mr. Mannion clarified the City Auditor's office could be a participant on the Board, but perhaps as a non-voting member of the Board, as opposed to a voting member. Chair Thabit asked the Board to review the ordinance and come to the next meeting with feedback. Chair Thabit emphasized he felt strongly the Board should have the opportunity to review, evaluate, and comment on reports before they go to the City Commission.

Mr. Herbst assured the Board the City Auditor's office would attempt to do as much as possible in-house, however sometimes third parties would have to be called in for their expertise. Chair Thabit suggested the ordinance be drafted to allow for external audits, and review whether or not the Board has the authority to review and select auditors for the City.

Chair Thabit cited the original audit adopted by the City Commission, C-03-46, Section 2, Purpose and Duties of the Advisory Board:

- Section 2.1 – To develop the annual external audit scope of services
- Section 2.2 – To recommend the annual external audit fee
- Section 2.3 - To review annual financial statements and management letter comments
- Section 2.4 - To track the City's progress in complying with audit recommendations
- Section 2.5 - To review final reports from the City's Internal Audit Office

Chair Thabit stated there was a Selection Negotiation Committee established by the City Commission on the subject of selection of external auditors. Mr. Herbst pointed out the selection of the external auditor usually falls under the purview and management of the Auditor's Office.

Chair Thabit pointed out an amended portion of the ordinance, C-04-30:

- Section 2.1 - To advise the City Commission regarding the appointment, compensation, and retention of the independent auditor selected by the City to

prepare or issue an audit report, or perform other audits or attesting services for the City, and to oversee such services

- Section 2.1 – To evaluate annually the independent auditor's qualifications, performance and independence taking into consideration the opinion of City management and the Internal Audit Director

Chair Thabit felt the auditors were selected, taken directly to the City Commission, and never came to the advisory body. Chair Thabit requested an amendment to the ordinance which would not allow the Board to be bypassed. Chair Thabit suggested language stating: To advise the City Commission regarding the appointment, compensation, retention of *any auditor* employed by the City Commission, or funded with City funds.

Mr. Welsch asked if the bidding process had been used in the past for hiring external auditors. Mr. Mannion stated there was an RFP, to which Mr. Welsch asked who had evaluated the RFP. Ms. Love was not aware of all the individual members, but it was a part of the procurement process.

Chair Thabit explained the procurement code calls for a selection committee, appointed by the City Commission. The committee, based on an RFP issued, review and evaluate the proposals, and select, rank, qualify, and score, then negotiate the contract and present to the City Commission for approval. The committee consisted of four City Staff and the Chair of the Audit Advisory Board.

Ms. McKinley suggested a member of the Audit Advisory Board always be a member of the External Audit Selection Committee, with the City Auditor being the point of contact with the external auditor. Mr. Mannion noted the auditors are working within the Finance Department as part of the audit, and the City Auditor may not be in a position to verify hours worked, or is familiar with the ongoing work of the auditors. Mr. Herbst expressed concerns over the auditor's independence in the process if they reported to the Finance Department.

Chair Thabit did not feel the process hindered the cooperation necessary from the Finance Director in regard to the external auditors, but there needed to be a level of independence between the record keeping and recording of the transactions by the Finance Department to be independently contracted by the City Auditor. Mr. Mannion stated the City Auditor should not be involved in the management of the contract. Chair Thabit felt the Auditor should be the one overseeing the contract with the City as it relates to auditing the financial records of the City.

Ms. McKinley added the internal audit plans should be reviewed for the next fiscal year. Mr. Herbst explained the process for the audit plan:

- The audit plan is coordinated with Ms. Love to avoid duplication of resources
- The City Auditor's Office performs an internal risk assessment
- Caucus with the Commissioners to find out what areas are of particular interest in order to reflect the will of the Commission
- High risk areas identified are also included

Mr. Herbst expressed willingness to share the audit plan with the Audit Advisory Board.

Responding to Mr. Mannion's concerns regarding external auditors, Chair Thabit stated the charter of the City covers the hiring and duties of the City Auditor, and it might not be appropriate to include a provision for the City Auditor to manage a particular contract. Chair Thabit suggested the provision might be more appropriate as an amendment to the charter for the City at the next review.

Chair Thabit suggested the charter revision be placed on the agenda for the next meeting, allowing the members to review the minutes for the points discussed.

Mr. Welsch requested clarification on the difference between C-04-30 and C-03-46. Chair Thabit explained Ordinance C-03-46 is the ordinance creating the Advisory Board, and C-04-30 is an amendment to that ordinance incorporating additional language into the ordinance. Mr. Welsch suggested the two ordinances be consolidated into a single ordinance. Mr. Herbst noted the Code of Ordinances only contains the current and active language, and is available online. McKinley requested complete copies of the ordinance be emailed to the Board members.

Chair Thabit made the following recommendations to Mr. Mannion :

- Make sure the Audit Board charter is presented to the Board members for the next meeting.
- A single codified ordinance, if available, be presented to the Board for discussion at the next meeting.

In response to questions by Mr. Mannion, Chair Thabit explained the Audit Advisory Board is governed by ordinance, and the guidelines for conducting meetings are governed by a charter, as instructed by the IACPA. Mr. Herbst explained the wording of the charter should be, in part, guided by the wording of the ordinance. Chair Thabit pointed out the following regarding the Advisory Board ordinance and charter:

- The charter designated internal controls and elements the Board should pay attention to within the confines of the ordinance enacted and adopted by the City Commission.

- The Audit Advisory Board is also the “committee” referred to in the ordinance, and the terms are used interchangeably.
- Perhaps the language should be reviewed, if the wording is confusing, to eliminate the word “committee”.

Ms. McKinley noted the charter was worded with the old purpose and had never been updated. Chair Thabit confirmed the purpose should be updated, as the charter was created by the original Board.

- **Internal Audit Reports**

Ms. Foley provided a handout summarizing the internal audit reports being discussed.

Regarding Report Number 07/08-XX-02, Review of Cash Collections for Snyder Park, Ms. Love stated the fees were not established by City ordinance, but had been through the City Manager’s Office for a decrease. Ms. Foley stated the weekday entrance fees had not been collected, and no formal discussion had been held. The original weekday entrance fee arrangement was verbal.

Chair Thabit expressed concern in eliminating fees without amending the resolution to set policies. With no resolution process in place, there would be deficient administrative control. Chair Thabit recommended the City Commission enact an appropriate resolution specifying the guidelines for collecting entrance fees. Ms. Foley pointed out the ordinance stated the City Manager or his designate was empowered to establish and collect fees.

Chair Thabit opined the City Commission should be the governing body that approves and sets fees, and there should be an Administrative Code enacted to incorporate all City fees. Mr. Herbst noted the impact on the community was wide, and continued to be an item of great contention. Mr. Herbst agreed to entertain a recommendation to conduct a review of all City fees, and determine which were approved at the policy making level and which are administrative in nature.

Chair Thabit requested a recommendation be sent to the City Commission with regard to all fees enacted by the Administration, requesting the City Auditor undertake a study of all fees and charges enacted by the City Manager that have not been approved by the City Commission that affects the general public.

Chair Thabit requested a letter be prepared by Mr. Mannion to the City Commission for signature by the Chair, including the reason for the review and study is that the Advisory Board feels all fees being charged to the public should be approved by the City Commission in the form of a resolution, and codified in an Administrative Code. This

matter was brought to the Board's attention as a result of the internal audit of the Parks Department.

Mr. Herbst asked for clarification on the "study" and "evaluation". Chair Thabit recommended a study to determine the different types of fees approved by the Administration that have not been approved by the City Commission as it affects the public. Mr. Herbst suggested a fee schedule showing which fees were adopted by ordinance by the City Commission, those designated under the authority of the City Manager, and the dollar impact over the last three years.

Motion made by Mr. Welsch, seconded by Ms. McKinley, to prepare a letter to the City Commission requesting that a review be done by the City Auditor. In a voice vote, the motion passed unanimously.

Ms. McKinley asked if there was a date set for compliance and corrective actions. Ms. Foley stated estimated completion dates for corrective actions are posted on the website. Ms. Love explained the follow up program, and agreed to provide a follow up report in six months. Chair Thabit requested a follow up report be provided in three months.

Ms. Foley continued to read from the handout regarding Report Numbers 07/08-XX-03, which showed not enough money had been spent under the agreement, and 07/08-XX-06, which had no pending issues.

- **Other Business**

Mr. Welsch introduced himself and provided his personal background for the Board members. Mr. Welsch mentioned he has been retired for a number of years from a management consulting business in Arlington, Virginia. Prior to that, he worked for President Reagan as the Inspector General for the Department of Transportation over audits of grants at the Federal level. Prior to that post, he worked for the Railroad Administration setting up Conrail and Amtrak, and served as the Deputy Assistant Secretary for Audits for the Department of Defense.

Mr. Moskowitz provided a summary of his background, including being a licensed CPA in the State of Florida, working for Deloitte and Touche for three years, and in a tax department for one year. He then entered the private sector and started a business in credit card processing, where he is currently working.

Ms. McKinley stated she is with the Broward County Schools Internal Audit Department, and sits on the Audit Committee.

Chair Thabit explained he was the Auditor for Broward County for 25 years, and was in government accounting and auditing for 40 years. He is now retired, but still active in accounting, auditing, and tax matters.

Ms. McKinley requested parking passes for the Board members. Lisa Edmondson agreed to ask Linda Cohen for the parking passes, and suggested the Board members park in the City employee parking and place a note on the windshield of their cars, and let security know at the front desk.

Chair Thabit asked for an update on the external auditors. Mr. Mannion stated the process was a little behind schedule. The general ledger system had been done for a week, and a "technical glitch" had caused a loss of data which now needed to be retrieved. Mr. Mannion reminded the Board members the Controller had resigned, and the Director of Finance had also resigned.

Chair Thabit asked if the pay scale was high enough in the Finance Department to keep people, and suggested the pay scale might be the reason for the turnover. Mr. Welsch suggested the local cost of living and housing was driving people away. Chair Thabit suggested the positions might be changed to exempt position so the pay could be set by the City Commission.

Mr. Welsch requested copies of the internal audit plan be provided to the Board members to be discussed at the next meeting. Mr. Herbst informed the Board the audit plan is available on the website. Mr. Herbst explained requests were evaluated based on the amount of resources needed to fill a request. If the necessary resources are available, the request will be filled. If the resources are not available, Mr. Herbst would take the request to the City Commission to explain resources being pulled to fulfill requests. Mr. Herbst agreed to provide a copy of the City Auditor's audit plan to Mr. Mannion by email.

Mr. Herbst referred to an article in the paper on the audit recently performed by the Inspector General for HUD, and suggested the Board consider looking at other external agencies auditing the City. Chair Thabit noted, based on his experience as the County Auditor, there were problems with audits conducted by outside agencies and refunds being recommended which were not appropriate. A policy was enacted to send any external audits through the County Auditor. Chair Thabit recommended the City Auditor enact some type of action with the City Commission to have the City Auditor brought into the loop to review and evaluate proposals. Chair Thabit did not feel the suggestion fell under the charge of the Advisory Board.

Mr. Welsch noted any outside agency auditing affecting the internal audits would come through the Advisory Board automatically. Mr. Herbst agreed, and expressed concern

regarding the role of the City Auditor, since the proposals were going directly to the City Commission without input from the City Auditor's Office.

Chair Thabit stated the Board could only review what is presented, while the City Auditor could be involved in all steps of the process. Chair Thabit strongly recommended the City Auditor take a proactive role in that process.

- **Next Meeting Date**

Mr. Mannion provided a tentative schedule for the draft financials and the management letter as the second or third week in March. The deadline is April 1, and the Board would need to meet by the end of March.

Chair Thabit determined that, based upon when the draft management letter and the draft report is ready for review and discussion with the external auditors, in accordance with the ordinance, Mr. Mannion should schedule the meeting the middle or end of March.

- **Adjournment**

There being no further business, the meeting adjourned at 6:41 p.m.

[Minutes prepared by K. Bierbaum, Prototype, Inc.]