

**AUDIT ADVISORY BOARD MEETING
TUESDAY, AUGUST 31, 2010 AT 7:00 PM
CITY OF FORT LAUDERDALE EXECUTIVE AIRPORT
6000 NORTHWEST 21ST AVENUE
FORT LAUDERDALE, FLORIDA**

Board Member	Attendance	Cumulative Attendance 1/1/10 – 12/31/10	
		Present	Absent
John Zullo, Chair	P	4	0
Martin Kurtz, Vice Chair	P	3	1
Torey Alston	P	2	1
Cindy Probeck	P	2	1
Richard Jay Weiss	A	1	2

Staff

Lynda Flynn, Interim Director of Finance
John Herbst, City Auditor
J. Opperlee, Recording Secretary, Prototype, Inc.

Communication to the City Commission

Motion made by Mr. Kurtz requesting that Renee Foley, Assistant Internal Audit Director, attend the board's next meeting to update the board on what her division is doing, seconded by Mr. Alston. In a voice vote, the motion carried unanimously.

1. Roll Call

The meeting came to order at 7:03 p.m.

2. Approval of Meeting Minutes

May 10, 2010

Motion made by Mr. Alston, seconded by Ms. Probeck, to approve the minutes of the May 10, 2010 meeting. Motion approved unanimously.

Chair Zullo said Board members had not been provided with the amended versions of the Board's December 2009 and March 2010 minutes. Ms. Opperlee agreed to look into this.

June 14, 2010

Ms. Flynn noted corrections to the minutes. Mr. Kurtz asked that full names be used in the first mention of an entity with the abbreviation noted in parentheses; subsequent mentions could then use the abbreviation.

Motion made by Mr. Kurtz, seconded by Mr. Alston, to approve the minutes of the May 10, 2010 meeting as amended. Motion approved unanimously.

3. Scheduling of the Workshop, review of Workshop Agenda and topics to be discussed

Chair Zullo suggested they review the ordinance to determine if there were areas they should review. Mr. Alston suggested the members should make individual recommendations.

Mr. Herbst explained to Chair Zullo that the Board was responsible to review reports performed by the Internal Audit Division and they reviewed the external audit. This was the limit of their responsibility.

Chair Zullo thought it might make sense for the Board to review Mr. Herbst's audits as well. Mr. Herbst explained that per Florida Statute, his audit reports were confidential until they were provided to the governing body. He agreed to send copies of released audits to Board members to discuss at their next meeting. Mr. Herbst welcomed the Board's input.

Mr. Herbst explained that he was an independent auditor and was considered an external auditor. His office was a separate Charter Office and City management had no authority over the operation of his office. He informed the Board that each year, his office conducted a risk analysis and they developed their audit plan based on this assessment. They could also take suggestions from the City Manager or a City Commissioner. Mr. Herbst said his office conducted operational audits of departments and examined controls in place to ensure the attainment of the department's and City's goals and objectives. They were also empowered to conduct performance audits, financial audits and operational efficiency audits. Mr. Herbst said they had been concentrating on operational audits because management had not really looked at the internal control framework of the City in an organized way.

Mr. Kurtz said one of the items listed under "purpose and duties of the Board" was to review the City's major financial risk exposures and the steps taken to monitor and

control such exposures. Mr. Herbst agreed to provide the Board with his risk assessment. Mr. Kurtz felt this would assist the Board in fulfilling that responsibility. Mr. Herbst explained that the Audit Advisory Board was established prior to the establishment of the Office of the City Auditor, and the two complemented each other.

Mr. Herbst said in the upcoming year, his department would perform an audit of the Housing and Community Development Division (HCD), which had been audited and found deficient by the Office of the Inspector General for Housing and Urban Development (HUD) two years ago. This year, Mr. Herbst's department would conduct a follow-up audit on HCD's implementation of the recommendations and compliance with HUD's requirements. They would also conduct an audit of the Recovery Act funding the City had received. Mr. Herbst stated they would look into any areas the risk assessment showed to be complex, where there had been high turnover in senior staff and areas that had never been audited before.

Chair Zullo suggested the Board create an annual report for the Commission stating their conclusions based on their reviews. Ms. Probeck agreed this was a good idea.

Mr. Herbst did not believe the Board had reviewed the Internal Audit reports for over a year. He said the Office of Management and Budget should be providing these to the Board.

Mr. Herbst explained to Mr. Kurtz that this was the last year in a five-year contract for Ernst & Young to perform the 2010 audit. He said the Board needed to discuss an RFP for the following year. Mr. Herbst explained that the contract was done yearly, subject to appropriation or renewal by the Commission every subsequent year. The contract was typically three years with two one-year extensions. Mr. Herbst said the Finance and Procurement Department created the RFP. Mr. Herbst added that Florida Statute required an Audit Selection Committee, and the Board could recommend the makeup of that committee to the City Commission.

Chair Zullo said that he really does not have a big issue with the Board and how it sets its agenda and the meeting dates, but felt it worthy to mention that when it works properly, it is no problem going through Finance. He further commented that if there is a disagreement or a misunderstanding, then it becomes more of a logger jam than actually a way to facilitate a meeting. Chair Zullo said he had read a lot of literature on what an audit board's responsibilities should be. He noted that this was an advisory audit board, and that it is really up to the Board on how it views what those powers should be, or how the Board believes it should be run.

Ms. Flynn stated Board members could add items to the agenda at the meeting, or email Ms. Flynn and her assistant to request an item be put on a future agenda.

Chair Zullo said on the previous ordinance, the list of the Board's duties and responsibilities included tracking the City's progress in complying with audit recommendations. Chair Zullo had phoned Allyson Love, the Acting City Manager regarding what mechanism was in place, but he had yet to hear back from her. He agreed to report back to the Board after he heard from Ms. Love. Mr. Herbst suggested the Board request that Renee Foley, the Assistant Internal Audit Director, attend their next meeting to explain how audits and follow-up audits were conducted.

Mr. Herbst said he made his audit recommendations directly to the Commission. He subsequently provided the Commission with a follow-up report on the status of every recommendation, Management's response and Management's implementation. He said he had released two of these within the last few days and agreed to forward these to the Board. Mr. Kurtz said the Board had previously discussed a follow-up to the management letter from the independent auditors and hearing a status report on the implementation of the recommendations at each of their meetings. Ms. Flynn said the external audit fell within her department.

Chair Zullo said they now had plenty of areas to bring suggestions to Finance and the City Auditor's area, and he hoped they could put this into a cohesive report to the Commission by the end of the year. Ms. Flynn advised Chair Zullo that the Board should make a request to the City Manager if they wished the Finance Department to complete tasks. Chair Zullo suggested a subcommittee, but Mr. Herbst informed him that subcommittees must be approved by the City Commission, and they were reluctant to approve them. He also cautioned the Board not to create an informal subcommittee because this could be a violation of Sunshine rules.

Mr. Kurtz asked about advanced materials for the workshop and Ms. Flynn advised the Board to ask her for these. Mr. Herbst said the Board should inform staff how far back they wanted to go in their report reviews. Chair Zullo advised Board members to access the website listings for each department to select the reports they wanted to review.

Mr. Kurtz thought the workshop should be an overview discussion of what the Board should be doing, not getting into details of specific reports. He agreed that hearing from the Assistant Internal Audit Director was a good idea because the Board had not heard about what that office did.

Mr. Alston asked how many areas they would focus on for their September meeting. Mr. Kurtz said they had already discussed the external audit and perhaps they wanted to discuss the follow-up of the findings because the auditors would be looking at them and reporting on them.

Mr. Herbst had looked at past Board minutes and reported that the last time Internal Audit had distributed their reports and discussed them was February 11, 2008. He said they had mentioned in July 2009 that they were conducting an audit of Police overtime, and Mr. Herbst said this report had just been released.

Chair Zullo said this was an annual process; he wanted get the Board on a review cycle. He suggested the Board peruse both sets of audits and find those for which they had comments to discuss under an agenda item. He said it was up to Board members how far back they wanted to review. Ms. Probeck felt it was more important to concentrate on the follow-up of outstanding items.

Communication to the City Commission

Motion made by Mr. Kurtz, seconded by Mr. Alston, to request that Renee Foley, the Assistant Internal Audit Director, attend their next meeting to update the Board on what her department was doing. Board approved unanimously.

4. Next Regularly Scheduled Meeting Date

[This item was discussed out of order]

Ms. Flynn reported she had reserved the City Hall 8th Floor conference room for the Audit Advisory Board from 5:30 until 7:30 on September 29. She had another date reserved in December and would let the Board know the exact date.

Mr. Herbst said the Board would have a reasonable amount of information to review if they met quarterly. If there was no material, staff would let the Board know and they could decide whether to have the meeting or not.

5. Adjournment

There being no further business to come before the Board at this time, the meeting was adjourned at 7:53 p.m.