

**APPROVED**  
**AUDIT ADVISORY BOARD REGULAR MEETING**  
**WEDNESDAY, SEPTEMBER 29, 2010 AT 5:30 PM**  
**FORT LAUDERDALE CITY HALL**  
**100 NORTH ANDREWS AVENUE**  
**FORT LAUDERDALE, FLORIDA**  
**CITY COMMISSION CONFERENCE ROOM, 8<sup>TH</sup> FLOOR**

<b>Board Member</b>	<b>Attendance</b>	<b>Cumulative Attendance</b>	
		<b>1/1/10 – 12/31/10</b>	
		<b>Present</b>	<b>Absent</b>
John Zullo, Chair	P	5	0
Martin Kurtz, Vice Chair [by phone]	P	4	1
Torey Alston	P	3	1
Cindy Probeck	P	3	1
Richard Jay Weiss	A	1	3

**Staff**

Lynda Flynn, Interim Director of Finance  
 John Herbst, City Auditor  
 Renee Foley, Assistant Internal Audit Director  
 Gloria LeClaire, Controller – Finance  
 Alyson Silva, Ernst & Young  
 Gracelyn Hodge, Ernst & Young  
 David Hebert, Assistant City Manager  
 B. Chiappetta, Recording Secretary, Prototype, Inc.

**Communication to the City Commission**

None

**1. Roll Call**

The meeting came to order at 5:35 p.m.

**2. Determination by Vote if Marty Kurtz, Vice Chair, may attend the meeting telephonically**

**Motion** made by Mr. Alston, seconded by Ms. Probeck, to allow Vice Chair Kurtz to participate in the meeting by phone. Motion approved.

At 5:39 Mr. Kurtz joined the meeting by phone.

**3. Approval of Meeting Minutes**

**August 31, 2010**

Ms. Foley made a correction to her title in the minutes.

Mr. Zullo questioned the use of quotation marks in the minutes, and said he preferred they not be used unless there was a specific emphasis on a particular issue.

**Motion** made by Mr. Alston, seconded by Ms. Probeck, to approve the minutes of the August 31, 2010 meeting as amended. Motion approved unanimously.

**4. Discussion of changes to the minutes of the December 14, 2009 and March 15, 2010 Meetings**

Ms. Flynn said Ms. Cohen was checking the recordings of the meetings and the corrected minutes would be reposted with corrections, as the minutes were approved with the corrections.

**5. Audit Plan - Ernst & Young LLP**

Ms. Hodge announced that Mr. Bradley was taking a position with Ernst & Young in Tokyo.

Ms. Silva described the Fiscal Year 2010 Audit plan. She stated page five of the plan summarized the service Ernst & Young supplied to the City and the opinions and internal control-related communications they would issue. She stated they also issued a management letter that would provide their recommendations on internal controls and opportunities that did not rise to the level of being considered a deficiency or material weakness.

Ms. Silva stated the testing of the account balance would take place in December/January and they would return in March to review the Comprehensive Annual Financial Report.

Regarding the Accounting Auditing Developments, Ms. Silva said Government Accounting Standards Board [GASB] statement #51 was effective for the City for Fiscal

Year 2010 and required the City to determine if there were any intangible assets that should be reported on the financial statements. She stated the City was in the process of analyzing this. Ms. Silva said in 2011, the City would be required to implement GASB statement #54, which clarified a change to how governments reported their fund balance.

Ms. Silva said they had included significant account balances and areas on which the auditors would focus their attention and significant processes the City had. She said they would perform tests of controls over several of the City's processes, such as revenue and accounts receivable, cash receipts, disbursements, self insurance claims, fixed assets and payroll. Ms. Silva said they would also follow up on the schedule of prior findings and the status of management's corrective action plan and evaluate the significant weaknesses they came across.

Ms. Silva asked Board members if they were aware of any type of fraudulent activity or allegations of fraudulent financial reporting at the City. Board members responded they were not aware of any.

Mr. Kurtz asked to see a summary of risk assessments. Ms. Silva said they used audit software to assess each account, including its inherent risk and control risk to create a combined risk assessment. She stated they did not usually go through the risks, but she would be happy to talk through these with any interested Board members. Mr. Kurtz requested a summary level review of expectations.

Mr. Kurtz said one of the Board's responsibilities was to monitor the efforts to review the audit risks by the external auditor, the internal auditor and the City auditor and it would be helpful to see if all parties were looking at risk the same way.

## **6. Discussion Finance Department Reorganization – Lynda Flynn**

Ms. Flynn said one of the recommendations of the adopted budget had been to consolidate the Department of Finance and the Department of Management and Budget, which had been done. The Department of Management had been split into two areas: the budget aspect would come under Finance and the Internal Audit would come under the City Manager's office.

Ms. Foley distributed the executive summary of the 2009-2010 reports. One of these was a special report issued to Broward County, a review of the Interlocal Agreement between the City and Broward County to conduct a feasibility and design study regarding the development of alternative water supplies. Another was the enhanced

Marine Law Enforcement grant. The results of their tests had indicated that the City did comply in all material respects with the provisions of the agreement and the revenue and amounts received from Broward County were in accordance with the grant agreement.

Ms. Foley continued that regarding the Swim Central, their tests indicated the City had not complied with certain provisions but the City had subsequently obtained written approval from the Broward County Swim Central director indicating the City did not need to comply with certain provisions. Chair Zullo asked who determined if this was an acceptable variance, and asked if this was a legal question. Ms. Foley said staff had met with Fire Rescue, Grants Office, and Finance management staff and the Swim Central County Director had agreed in a memorandum that this was fine since they were not providing actual swim instruction, they were actually providing what is referred to as Dry Land Presentations, which was reported to Broward County.

Ms. Foley stated the EMLEG report indicated they had exceeded the required 79% in the grant agreement, but they could improve the effectiveness of their administration and monitoring of the grant agreement and complying with the terms and conditions. Ms. Foley said they had also performed a follow-up to the prior year's report. She stated compared to years ago, the issues had been significantly reduced, though some remained.

Ms. Foley said the Special Report with the City's agreement for Coontie Hatchee Landing indicated they had complied with the provisions and the revenues and amounts from Broward County had been expended in accordance with the agreement with the exception of \$13,703. This had been disallowed because the funds were expended prior to the grant period and represented a misapplied credit.

Mr. Herbst explained that the reason Internal Audit had looked at the Broward County grants was because there were provisions in the contract between the County and the City that required an internal audit. He was working with the City Attorney's office, the County Auditor's office and the County Attorney's office to strike this provision from future contracts.

Mr. Herbst informed Chair Zullo that he was working on the audit plan for the coming year. He agreed to provide this to the Board as soon as it was complete.

## **7. Other Business**

None

## **8. Next Meeting Date**

Ms .Flynn advised the Board could meet next on December 14, 2010 or January 5, 2011 and asked Board members to email her with their preference. Mr. Herbst indicated the January 5 date would be more productive because Ernst & Young would have more information. The Board agreed to meet next on January 5, 2011 at 5:30.

Mr. Kurtz suggested the January meeting agenda should include discussion of the RFP for the next year's audit. Ms. Silva said Ernst & Young's contract was for five years with three optional one-year renewals and she had indicated to Ms. Flynn that they were interested in discussing this with the City.

Mr. Herbst stated the Board should also discuss the composition of the Audit Selection Committee to evaluate and award the contract. He asked Ms Flynn to email Board members the relevant sections of Florida Statutes.

## **9. Adjournment**

There being no further business to come before the Board at this time, the meeting was adjourned at 6:26 p.m.

**APPROVED**  
**AUDIT ADVISORY BOARD WORKSHOP**  
**WEDNESDAY, SEPTEMBER 29, 2010 AT 6:30 PM**  
**FORT LAUDERDALE CITY HALL**  
**100 NORTH ANDREWS AVENUE**  
**FORT LAUDERDALE, FLORIDA**  
**CITY COMMISSION CONFERENCE ROOM, 8<sup>TH</sup> FLOOR**

<b>Board Member</b>	<b>Attendance</b>
John Zullo, Chair	P
Martin Kurtz, Vice Chair [by phone]	P
Torey Alston	P
Cindy Probeck	P
Richard Jay Weiss	A

**Staff**

Lynda Flynn, Interim Director of Finance  
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Gloria LeClaire, Controller – Finance  
Renee Foley, Assistant Internal Audit Director  
B. Chiappetta, Recording Secretary, Prototype, Inc.

**1. Roll Call**

Mr. Kurtz was in attendance by telephone.

**2. Discussion of Audit Advisory Board Goals**

Chair Zullo said last year they had discussed formalizing a report to the City Commission, and whether this should be a separate report or a separate section of their minutes. Mr. Alston felt a separate report would stand out more.

Mr. Kurtz asked how Board members should submit their ideas for the report. Ms. Flynn advised Board members to email these to her. Mr. Kurtz stated today they could identify topics and then Board members could email Ms Flynn the content of the report on those topics.

Mr. Kurtz stated there were four major areas to include:  
The results of the previous audit  
The Board's opinion of the auditor  
The procedures and status of follow-up on points that were raised

The Board's monitoring of the internal auditor and the City auditor Chair Zullo said at their next meeting they would select items submitted by Board members to include in their report.

Mr. Kurtz wanted to discuss the Board's role in the Audit Selection Committee. He felt the Board should be represented on the Audit Selection Committee. He also wanted the Board to review the RFP and make recommendations before it was sent out. Ms. Flynn explained she would send Board members the applicable Florida Statutes and a copy of the last RFP.

Mr. Herbst said by Florida statute, there must be an Audit Selection Committee. He explained that last time, the committee had included members of management. Mr. Herbst opposed this, since the Committee was charged with auditing management. Since this contract was at the behest of the City Commission, Mr. Herbst felt it entirely appropriate that the full Board or several members should be on the Audit Selection Committee.

Mr. Kurtz asked for a procedural memo about the selection process the last time. This would prepare them to vote at their next meeting on a recommendation to the City Commission on how the Audit Selection Committee should be structured.

Ms. Flynn asked if the Board wanted to consider using Ernst & Young for one more year. Mr. Kurtz said even if they were going to do that, they would be making recommendations as a part of a review of the process. He agreed they should consider keeping Ernst & Young for another year.

Mr. Alston clarified that the Board would vote in January on what the composition of the Audit Selection Committee would be and whether they would renew Ernst & Young's contract or put the RFP out to bid. Mr. Herbst reminded the Board that the RFP process typically took three to six months.

Mr. Kurtz said Chair Zullo had researched the best practices for audit committees for government agencies and he thought this could be summarized for the benefit of the City Commission and recommendations made based on this. Mr. Kurtz said in reading the ordinance, it was "not really what we're doing and not necessarily what they want us to do." Chair Zullo agreed that some things in the ordinance no longer applied and some should be clarified. He felt this was a review that should be undertaken every few years.

Mr. Alston suggested they research the roles and responsibilities of other municipalities' Audit Advisory Boards. Mr. Herbst said the Board could request this information from the City Manager's Office. The Board requested an overview of the roles and responsibilities of audit committees for municipalities similar in size and/or function to Fort Lauderdale.

### **3. Adjournment**

There being no further business to come before the Board at this time, the meeting was adjourned at 6:59 p.m.

[Minutes prepared by J. Opperlee, Prototype, Inc.]