

APPROVED
AUDIT ADVISORY BOARD REGULAR MEETING
WEDNESDAY, FEBRUARY 2, 2011 AT 5:30 PM
FORT LAUDERDALE CITY HALL
100 NORTH ANDREWS AVENUE
FORT LAUDERDALE, FLORIDA
CITY COMMISSION CONFERENCE ROOM, 8TH FLOOR

Board Member	Attendance	Cumulative Attendance	
		1/1/11 – 12/31/11	
		Present	Absent
Martin Kurtz, Chair	P	1	1
Richard Owen, Vice Chair	P	1	0
Roger Ally	P	1	0
Cindy Probeck	P	1	1

Staff

Lynda Flynn, Interim Director of Finance
 John Herbst, City Auditor
 Marco Hausy, CAO
 Cynthia Borders-Boyd, Auditor
 Gloria LeClaire, Controller
 Renee Foley, Assistant Internal Audit Director
 Linda Cohen, Board Liaison
 Gracelyn Hodge, Ernst and Young Auditor
 Patrice Jones, Ernst and Young Auditor
 Alyson Silva, Ernst and Young Auditor
 John Zullo, former Audit Advisory Board Chair
 Barbara Hartmann, Recording Secretary, Prototype, Inc.

Communication to the City Commission

None

1. Roll Call

The meeting came to order at 5:33 p.m.

2. Introduction of Newest Board Members, Roger Ally and Richard Owens

Mr. Owen stated he had been a CPA in Fort Lauderdale since 1974 and had his own practice since 1979.

Mr. Ally stated he was an attorney with a BA in Economics, an MBA and a JD. He was also a chartered Bank Auditor. He had done internal auditing for Bank of Boston and had been a Senior Financial Analyst for Putnam Investments.

Ms. Probeck stated she was a CPA with a CFA and a CA. She had her own consulting business specializing in auditing, internal controls, basic accounting and IT security. She had worked in the British West Indies, Hong Kong, London and Germany.

Mr. Kurtz arrived at 5:37. Mr. Kurtz said he was a CPA with Kaufman Rossin and Co.

3. Election of Officers

Ms. Probeck **nominated** Mr. Kurtz for Chair, seconded by Mr. Ally. Board unanimously approved.

Mr. Owens **nominated** Ms. Probeck for Vice Chair, seconded by Mr. Ally. Board unanimously approved.

4. Review of Meeting Minutes -

- June 14, 2010 (Board Meeting)

Motion made by Ms. Probeck, seconded by Mr. Owens, to approve the minutes of the Board's June 14, 2010 meeting as presented. Board unanimously approved.

- September 29, 2010 (Board Meeting & Workshop)

The Board noted corrections to the minutes.

Motion made by Mr. Ally, seconded by Ms. Probeck, to approve the minutes of the Board's September 29, 2010 meeting as amended. Board unanimously approved.

Motion made by Ms. Probeck, seconded by Mr. Owens, to approve the minutes of the Board's September 29, 2010 Workshop. Board unanimously approved.

- January 5, 2011 (Board Meeting)

Motion made by Ms. Probeck, seconded by Mr. Ally, to approve the minutes of the Board's January 5, 2011 meeting. Board approved unanimously.

5. New Business:

- Presentation by Ernst & Young - Audit Update

Ms. Jones stated the first item was the key elements of their interim procedures, during

which they updated their understanding of the business and internal control processes. They had also tested IT controls and identified any material risks and significant accounts to test. They had tested key controls over revenue and accounts receivable, cash receipts, purchases in accounts payable, cash disbursements, self-insurance claims, fixed assets and payroll process.

Ms. Jones said they had received and reviewed narratives for each of the identified processes and completed walk-throughs, and had determined there were no exceptions in those areas. They had completed their test of controls, and had identified one exception in utility cash receipts. They had been able to identify the issue, as well as compensating controls and, therefore, there was no impact to the audit strategy.

Ms. Flynn informed the Board that Cayenta was the utility billing system that had been implemented last year, so this was the first audit reconciling between that system and the financial system: Financial Accounting Management Information System (FAMIS). Ms. Jones clarified that there had been a coding issue between the two systems; they had fixed the codes so they reconciled properly. The exception amount was approximately \$500.

Ms. Jones said the next item they had examined was information system general controls. She stated their specialized IT system people reviewed the current system, and they were currently telling her that they would not be able to rely on next year as well, so they would continue with the ineffective IT strategy. When they completed the review they would update the Board.

Regarding the final field work, Ms. Jones said this was 80% complete. Significant open items included FEMA, compensated absences, connection fees, capital assets and GASB 51. She explained there would be additional entries for some items and they were awaiting management analysis of GASB 51.

Mr. Herbst said he had raised a question about the City's Other Post-Employment Benefits (OPEB) liability. They had budgeted \$1 million toward the amortization of the OPEB liability and there had been no transfer of actual dollars during the year. They now must look at a designation of the fund balance to begin accumulating assets toward this liability. The City Attorney recommended they proceed with a formal action to the City Commission so they could establish management's intent.

Ms. Hodge acknowledged they were a bit behind schedule, and stated some of the open items required additional time and effort to resolve but they still felt they could meet the end date. Ms. Hodge said they were leaving the field and would return in March to complete the audit. The target date for the report was March 31.

Mr. Ally asked how the new Cayenta system had been monitored during roll-out. Ms. Flynn replied that they had created a team from the utility billing area and an accountant from Treasury, to monitor the system. She offered to have staff attend an Audit Advisory Board meeting to explain the system to the Board.

Chair Kurtz asked if the Audit Department had reviewed the system. Mr. Herbst said they had done their risk analysis for the coming year and IT security controls were at the top of their list. Project management was another area about which they had concerns.

Ms. Flynn confirmed for Chair Kurtz that the auditors would present their report for the Board to accept before it was submitted to the City Commission.

Mr. Herbst asked about fixed assets. Ms. Jones stated they were in the process of testing this and were awaiting some information from management. Mr. Herbst said they had not taken a comprehensive inventory in many years. He noted that since they did not depreciate for tax purposes, this was not a significant area of emphasis for governments. He said this had changed with a new reporting model that put more emphasis on capital assets. Mr. Herbst said they should probably bring in an outside firm to help with this because they had neither the personnel nor the appropriate systems in place.

Ms. Flynn said the City Commission would accept the audit on April 5, so it would be presented to the Board in March.

Ms. Flynn advised Board members that they could email suggested items to put on the Board's agenda to Linda Cohen. Mr. Herbst reminded Board members that they could email information to other Board members but they could not respond to such an email.

- Discussion regarding the RFP for External Financial Audit

Ms. Flynn stated there were still renewals on the current RFP but they would prefer to keep Ernst and Young for at least another cycle rather than break in a new auditor. She explained the last RFP had gone out five years ago. Mr. Herbst said he had moved the City toward a policy of re-bidding contracts at least every five years. He said he usually favored rotating auditing firms, but in this case, since there had been turnover in Finance Department staff, he felt it was in the City's best interest to retain Ernst and Young for at least one year to maintain the historical perspective.

Ms. Probeck agreed with re-bidding the contract after five years, but for continuity she favored retaining Ernst and Young for one more year.

Ms. Flynn requested the Board send a Communication to the City Commission

recommending renewal of Ernst and Young's contract for one year.

Chair Kurtz agreed with retaining Ernst and Young for one year, but wanted to table the recommendation until the next AuAB meeting and wait to communicate this to the Commission at the same time they accepted the audit report; then they could approve the contract at their June meeting.

Mr. Herbst explained that per the City's form of government, the City Commission may not direct City staff or vendors to do something. The same was true of the Board; they could ask for information but could not direct staff to do anything.

Mr. Herbst explained the process and timeline for an RFP and stated he would recommend when this RFP was renewed that the Audit Advisory Board should "comprise at least the majority of the selection committee." Ms. Flynn added that when one employee reported to another, they could not both be on the selection committee. Mr. Herbst stated there was no requirement for City staff to serve on the committee.

6. Questions and Answers

Chair Kurtz recalled requesting a summary of the auditor's risk assessments. Ms. Hodge stated this report had included a high-level assessment, and if the Board wished, they could provide more specific information. Chair Kurtz said he may review this personally with the auditor.

7. Communication to the Commission

None.

8. Adjournment

There being no further business to come before the Board at this time, the meeting was adjourned at 6:38 p.m.