

**APPROVED**

**AUDIT ADVISORY BOARD REGULAR MEETING  
CITY OF FORT LAUDERDALE  
CITY HALL 8<sup>TH</sup> FLOOR CONFERENCE ROOM  
THURSDAY, JANUARY 31, 2013  
5:00 PM**

<b>Board Member</b>	<b>Attendance</b>	<b>Cumulative Attendance</b>	
		<b>1/31/13 – 12/31/13</b>	
		<b>Present</b>	<b>Absent</b>
Martin Kurtz, Chair	P	1	0
Bob Oelke, Vice Chair	P	1	0
Roger Ally [Arrived 5:14]	P	1	0
Jennifer Diehl	P	1	0
Richard Owen	P	1	0

**Staff**

Gina Rizzuti, Board Liaison  
Elizabeth Cohen, Procurement Specialist I  
Douglas Wood, Director of Finance  
Kirk Buffington, Deputy Director of Finance  
Stanley Hawthorne, Assistant City Manager  
Linda Logan-Short, Controller, Finance Department  
Laura Reece, Office of Budget, CIP and Grants  
John Herbst, City Auditor's Office  
Marco Hausy, City Auditor's Office  
Gloria LeClaire, City Auditor's Office

**Other Attendees**

Aazan St. Rose, Crowe Horwath  
Natalee Camoesas, MSL

**Communication to the City Commission**

None

**1. Call to Order**

Chair Kurtz called the meeting to order at 5:05 p.m.

Before addressing any of the items on the agenda, Chair Kurtz announced there is a new Board Member, Jennifer Diehl. Chair Kurtz then asked Mrs. Diehl to introduce herself to the group. Mrs. Diehl is a resident of Victoria Park. She is currently the Controller for the Children's Services Council of Palm Beach County, prior to that she was the Controller for the City of North Lauderdale and she has also been an Auditor for local Government and Non-for Profit Organizations. The Board Members welcomed Mrs. Diehl to the Board.

- **Roll Call**

Elizabeth Cohen announced that Gina Rizzuti will now serve as Board Liaison for the Audit Advisory Board. The Board thanked Elizabeth for her service to the board.

As of this date, January 31, 2013, there are 5 appointed members to the Committee, which means 3 would constitute a quorum. At this time, there is a quorum.

## **2. Review of Meeting Minutes for Approval:**

- **June 12<sup>th</sup>, 2012** – A Quorum was not present at the October 31, 2012 meeting, therefore, the Board was not able to vote on the approval of the minutes for the June 12, 2012 meeting.

**Motion** by Mr. Oelke, seconded by Mr. Owen to approve the minutes of the June 12, 2012 meeting. In a voice vote, the motion passed unanimously.

- **October 31, 2012** - The minutes of the October 31, 2012 meeting were approved as corrected:

**Page 2, Section 4 – Unfunded Pension Liabilities**

4<sup>th</sup> Sentence: "Linda Logan-Short said it could be added to the MBA MD&A."

**Page 3, Section 6 – Other Business**

1<sup>st</sup> Sentence: "Bob asked if there's any ~~compensation~~ certification issues for the Police and Fire Departments".

10<sup>th</sup> Sentence: "John has reviewed the training issues with the City Manager, Lee Feldman and Lee made it clear, the training programs remain ~~as-is~~ a high priority".

11<sup>th</sup> Sentence: "Bob asked if there are any other ~~training~~ certification issues".

14<sup>th</sup> Sentence: "John stated that they ~~has~~ have not looked into the confiscated fund, however the previous External Auditor did".

15<sup>th</sup> Sentence: “John spoke briefly about the new system to consolidate the entire Audit Finding Tracking System process, whether it’s for internal, ~~external~~ external or FEMA audits”.

**Motion** made by Mr. Oelke, seconded by Mr. Owen to approve the minutes as corrected for the October 31, 2012 meeting. In a voice vote, the motion passed unanimously.

Chair Kurtz asked the Board if the Chair and Vice-Chair elections could take place early in the meeting. The Board agreed. Chair Kurtz then explained each year the Board is required to nominate and elect both a Board Chair & Vice-Chair.

Mr. Oelke nominated Chair Kurtz to remain as Board Chair, Chair Kurtz accepted. Mr. Owen then nominated Mr. Oelke as Vice-Chair, Mr. Oelke accepted.

**Motion** by Chair Kurtz, seconded by Mr. Owen to approve the nominations for Chair & Vice Chair of Audit Advisory Board. In a voice vote, the motion passed unanimously.

### **3. Audit Status:**

[Mr. Ally arrived at 5:14.]

Mr. St. Rose wanted to open the meeting by recapping timelines that were discussed at the last meeting. He was to receive a draft of the CAFR on the 25<sup>th</sup>. Chair Kurtz then asked if the draft was available. Mrs. Logan-Short distributed the draft. She explained that information is still being gathered for the statistical section and the Single Audit is still in progress. Mr. St. Rose said that this was the first he was seeing of the draft.

Mr. St. Rose intends to issue the reports and have them completed and ready by the March 19<sup>th</sup>, 2013 City Commission Meeting. The Board would need to meet prior to the March 19<sup>th</sup> City Commission Meeting to review the CAFR & Single Audit reports – the date and time of this meeting is to be coordinated.

With regards to the Single Audit, Mr. St. Rose expressed concern in the following areas:  
Valuation of Alternative Investments – at this time there is not a process to monitor the value of alternative investments.

Capital Assets Physical Inventory – there has not been an inventory of capital assets for several years.

Calculation of Compensated Absences – during testing there were errors identified in the underlying data used in the calculations. He recommends the City review the

current policies in place. He also recommends an automated system to calculate the balance of sick leave. Mr. Hawthorne added that Finance & Human Resources Directors are working on a solution and the City Manager has directed Human Resources and IT to obtain necessary resources. Mr. Wood spoke about possible changes to policy. As long as the current policy exists, there are going to be challenges. Chair Kurtz would like to see a cost effective way to process payouts.

#### **4. Single Audit Findings:**

The Single Audit was discussed earlier in the meeting; Ms. Reece had no additional comments.

#### **5. Fixed Assets & Compensated Absences:**

Mr. Wood advised the Board that a vendor has been selected and hired to perform a complete fixed assets inventory of City property. The inventory process will start sometime in March. Mr. Wood further explained that there would be an evaluation of the inventory and then the inventory would be tagged and entered into the database. Mrs. Diehl asked if the inventory software is compatible with the current financial system used by the City. Mr. Wood replied, yes. Mr. Oelke asked when would the fixed asset process be complete. Mrs. Logan-Short expects to obtain summary data sometime in June.

There was a discussion on Compensated Absences earlier in the meeting. Staff has a couple of ideas in mind to resolve this issue but will need to get IT involved. Mr. Hawthorne asked that IT Staff be invited to the next quarterly Audit Advisory Board Meeting.

#### **6. Footnotes on Pensions in the 2012 CAFR:**

Mr. Oelke expressed his concern that the notes about pensions in the reports are disjointed. Now with the Pension Obligation Bonds being added, it's another piece of the puzzle that may end up under long term debt rather than being linked to the discussion on Pensions. At this time, the portfolio funding levels look great because they have been given over \$300,000,000.00. The City still has the same unfunded pension liability issues that it had before except now the City is paying bond holders rather than paying the pension funds. He would like to include and consolidate all of that information into some type of readable format so that policy makers can look at one centralized format. Mr. Oelke used the City of Orlando's CAFR as an example, which shows all 3 Pension Plans side by side.

Overall Mr. Oelke would like transparency instead of fragmented information and if there's something that can be done to address those issues, it would be greatly appreciated.

Mrs. Logan-Short responded that she was looking into possible changes to the format of the CAFR. She mentioned that she reviewed the CAFR for Jacksonville and Orlando. Her intent, in the future, is to create a more reader friendly format. She pointed out that the Pension Obligation Bonds are not included in the Pensions this year as it was not funded to them until after October, however there is a note that indicating that.

## **7. Other Business**

**5-Year Plan** – Per Chair Kurtz the IT Department has deferred this item to the next quarterly meeting

**IT Study: Vulnerability Network** – Per Chair Kurtz the IT Department has deferred this item to the next quarterly meeting

### **Status of Risk Matrix**

At this time, the following new audits have been assigned to Mr. Herbst and his staff by the City Commission, none of which are on the Risk Matrix:

The first assignment is regarding the fees charged by the Supervisor of Election's Office to the City of Fort Lauderdale for two recent elections. There was an article recently in the newspaper about the City of Oakland Park asking for and receiving a discount on the cost of their elections. The City of Fort Lauderdale did not receive a similar discount.

The other assignment is with the Resource Recovery System (RRS). The Resource Recovery System is an Interlocal Agreement with Broward County and 23 other Cities that deals with solid waste management. The agreement dates back to 1987 and will be dissolving in July 2013.

There are excess undistributed assets remaining within the system. There will need to be an audit performed to determine equitable distribution of the assets. The Mayor (not present) suggested that Mr. Herbst office take on this task instead of releasing a RFP, which could take several months and bypass the July 2013 date of dissolution. At this time, Mr. Herbst and his staff are in the information gathering stage and are speaking with key players to gauge what their realistic expectations are.

One challenge that they are facing is that the agreement dates back to 1987 and Florida State public records laws do not require document retention for more than 3 years.

Chair Kurtz asked what the value of the assets are. Mr. Herbst responded there are \$40 million in net assets, but that includes hard assets which will remain in the system. The intent is for any remaining surplus funds, sitting within the system, to be distributed with the contracted cities.

Chair Kurtz asked Mr. Herbst when the distribution would take place assuming the audit was done in 6 months. Mr. Herbst explained that the dissolution of the agreement is in July and he guesses it would be in FY 2014 since it is not a FY2013 budgeted item. The RRS is accounted for in the Broward County CAFR. The County Commission will have to budget the distribution of the funds. Mr. Hausy has been going through the agreement and has not seen any formula as to how the funds are to be distributed. There have been interim distributions made during the history of the Resource Recovery System. Staff will need to research County Commission agenda items where distributions have been made to determine if there was a consistent agreed upon formula. One challenge is that different cities became a part of the RRS at different times during the past 20 + years.

Mr. Oelke asked Mr. Herbst "Is this going to be net assets coming into the City or net costs going out?" Mr. Herbst responded "The presumption is that there are net assets to distributed. The question is how much and in what proportion".

Chair Kurtz asked Hr. Herbst "What are you not doing that you think, (based on your risk analysis) that you should have been doing?" Mr. Herbst responded "My office is aiming to be done with the assignments by July – in which case we can roll right on into the review of the annual budget. The most important thing from my perspective is to review the annual budget and have always viewed that as job #1".

Mr. Herbst also explained that there is another project that had been assigned to his office which he is not at liberty to provide full details at his time. This assignment came out of a closed door session with the City Commission and deals with litigation.

Chair Kurtz asked Mr. Herbst if he felt that he would need more staff, or if he has requested additional Staff. Mr. Herbst responded that he has not requested additional staff however Commissioner Rogers has made the suggestion to hire part time staff. Mr. Herbst added that it is not practical to hire part time staff for his Department due to the unique operating environment within his office.

Chair Kurtz encouraged Mr. Herbst to keep an eye on the Risk Matrix. Mr. Herbst began to discuss two areas of concern. The first area of concern is with IT - He has been pushing to have an IT security assessment performed. He is pleased to say that Mr. Feldman & Mr. Maier are onboard with the security assessment.

He also expressed a concern with Fixed Assets. He would like to perform spot inventories throughout the year to ensure information is being entered accurately into the database.

**Election of Chair & Vice-Chair** – The Elections took place earlier in the meeting.

### **Upcoming Budget Cycle & the Role of the Audit Advisory Board**

Mr. Hawthorne discussed some of the expectations coming out of the last budget cycle, such as integration with the new strategic plan, moving up timelines and better integration of stakeholders. Mr. Hawthorne then went on to explain the Strategic Planning and Budgeting Cycle map that was distributed earlier.

He also spoke about the implementation of the Revenue Estimating Conference Committee. The Committee would consist of Staff from Budget & Finance as well as members from the Budget Advisory Board & Audit Advisory Board.

Mr. Hawthorne asked the Board to designate a member to attend the Revenue Estimating Committee. Chair Kurtz volunteered to attend, Mr. Hawthorne thanked Chair Kurtz.

There was a **motion** made by Mr. Oelke, seconded by Mr. Ally to endorse the Strategic Plan & Budget Cycle and for Chair Kurtz attend the Revenue Estimating Conference Committee meeting.

#### **8. Next Meeting Date:**

The next meeting to review the CAFR and Single Audit was tentatively set for March 12, 2013.

#### **9. Adjournment:**

There being no further business to come before the Board at this time. There was a **Motion** by Mr. Oelke, seconded by Mrs. Diehl to adjourn. The meeting was adjourned at 6:45 p.m.

[Minutes prepared by Gina Rizzuti, Board Liaison]