

APPROVED

**AUDIT ADVISORY BOARD REGULAR MEETING
CITY OF FORT LAUDERDALE
CITY HALL 8th FLOOR CONFERENCE ROOM
TUESDAY, JANUARY 21, 2014 - 5:00 PM**

<u>Board Member</u>	<u>Attendance</u>	Cumulative Attendance	
		10/1/13 – 9/30/14	
		<u>Present</u>	<u>Absent</u>
Martin Kurtz, Chair	P	1	0
Roger Ally	P	1	0
Jennifer Diehl	P	1	0
Richard Owen	P	1	0

Staff

Douglas Wood, Director of Finance
Linda Logan-Short, Controller, Finance Department
Laura Garcia, Senior Accountant
John Herbst, City Auditor
Marco Hausy, Assistant City Auditor III
Mike Maier, ITS Director, Chief Technology Officer
Emilie Smith, Budget Manager
Laura Reece, Assistant Manager CIP/Grants
Lura Rogers, Board Liaison

Other Attendees

Aazan St. Rose, Crowe Horwath
Deborah Garringer, Crowe Horwath
John Weber, Crowe Horwath
Dan Okeefe, MSL
Bob Oelke, Resident

1. Call to Order

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

• Roll Call

As of this date, January 21, 2014, there are 4 appointed members to the Committee, which means 3 would constitute a quorum. At this time, there is a quorum.

2. Review of October 29, 2013 Meeting Minutes for Approval:

Motion made by Chair Kurtz, seconded by Mrs. Diehl, to approve the minutes of the October 29, 2013 meeting. In a voice vote, the motion passed unanimously.

3. Crowe Horwath Audit Status Report

John Weber said Crowe Horwath is scheduled to receive the CAFR from the City by February 3, 2014. The field work for the IT portion is still in progress. Hard copies of the Audit Update were distributed to the Board & staff. Dan O'Keefe said the Single audit should be turned over to Crowe Horwath for final review soon. Aazan St.Rose said the two findings relating to Capital Assets and periodic inventory should go away this year. The compensated absences finding is not expected to go away this year and it is understood from Doug Wood that Police agreed to a flat rate of 28% for compensated absences. John Weber mentioned that Police and Fire and GERS pension funds are being audited twice, by Markham and Crowe Horwath. Police and Fire changed their fiscal year to match the City-which covered a nine month period- and the remainder will be picked up by Crowe Horwath. GASB requirements for the cemeteries are being managed by a service concession. Chair Kurtz commented that the issues of past audits have been addressed and congratulated Doug Wood, Linda Logan-Short and Crowe Horwath for a job well done.

4. Communication to the City Commission

The Whistleblower Communication to the Commission was addressed in the Minutes from the 9/17/2013 Commission Conference Agenda(hand out). The City Manager said that such a policy exists under state statute. Chair Kurtz said that he would like to know who will be responsible for the education of employees about the state statute. Doug Wood said that this should be the responsibility of the HR Department and asked that Linda Logan-Short be responsible for follow up on this issue. Jennifer Diehl suggested it be part of an orientation manual. Chair Kurtz asked if there was a City "Whistleblower" policy or contact person and Doug Wood said that there was not. John Herbst said that a Whistleblower hotline program was previously investigated by his team but never implemented and that a Whistle-Blower complaint form is available on the Florida Inspectors General website but "how to" training would be beneficial.

8. Finance, IT and City Auditor Budgets

John Herbst asked if the Board could address Agenda Item 8 next as he needed to leave the meeting early. Chair Kurtz said that his reason for bringing up budgets was to see if the departments have adequate resources and John said he does not anticipate

requesting any additional staffing at this time. John Herbst and Marco Hausy will be attending a Construction Audit Seminar in order to have the necessary skill set to address the large construction projects on the horizon, which he is not sure if they are to be undertaken this year or next year. The Aquatic Center redevelopment and the push for the project to dredge out the Las Olas Marina parking lot to create an expanded marina, which could be a \$20 million dollar plus project, in his view are a major risk to the City. Using South Side School as an example, he is starting to think that the financial risk and the reputational risk to the City with respect to these large public developments is significant so his office will be factoring this into their planning process. Chair Kurtz asked if this would put pressure on John's operation and John said he might look into contract help like Sharpton, Brunson & Company that they used to perform a Construction Audit during the WW2011 program and the Fire Station Bond program or they might look at their existing schedule and shift their resources towards the construction aspect. The marina project is giving signs of sharing some of the mistakes in planning that South Side School had. There is no solid number or plan but people are being asked to make decisions on things that are constantly evolving. John's department just issued a Memo today because they were asked to review the financial feasibility of the Las Olas Marina expansion project. They reviewed the various conceptual plans that have been put forth before the commission and there are a myriad number of inaccuracies, inconsistencies and missing information. His concern is that the commission is being pushed by various parts of the community to vote on this plan without having any adequate information on which to base that decision. John's department is asking for a financial feasibility study to be done that would update the previous ones which he believes were inadequate. Chair Kurtz asked about the Resource Recovery and John said that they had a meeting with elected officials and all the suing parties. The county was trying to get a three month extension on moving forward with the cap 160 for mediation process and they were proposing that there would be no harm but they were met by an overwhelming uniform response from the impacted cities that that's unacceptable so they modified their request during the course of the discussion recognizing that there was a solid wall of opposition. The next mediation session will take place as statute provides. The county retained what they classified as an expert in landfills from the University of Central Florida but they were off in their numbers, calling it a decimal point issue, it should be a \$6 million instead of a \$60 million dollar liability.

Doug Wood said that the big issue for finance will be the ERP implementation which will require some standing support like WW2011 had where temps do some of the daily work while permanent staff learns the new systems so the education and training stays with the City. Linda Logan-Short stated that Procurement will require additional staff in order to handle the extra workload generated when taking over construction bidding. Doug stated that a replacement for the Treasurer position that was eliminated is also needed. Linda recently learned that the City of Miramar is in their fourth year of

implementing an ERP system, their Deputy Finance director is one of the project leads and he stressed that ERP needs to be a number one consideration which is difficult when staff continues daily work while implementing an ERP system. John mentioned that often these systems fail because of a failure to budget adequately for the administrative support and training, when 10 million dollars is budgeted for a system but no money for the support and training. Doug said that at least three extra people will be needed. Chair Kurtz asked that Linda draft a Communication to the Commission regarding the ERP implementation for the next meeting.

Mike Maier said that they have started a governance board for this ERP implementation and that this is not an IT project, it is a City-wide project. IT needs to budget for IBM, the City contracted with IBM a year ago to develop some predictive policing and the product is working well but the cost is from 35 to 45 thousand dollars a month, other alternatives are being looked at for predictive policing analysis. Another concern for IT is the regionalization for 911 and that money is being spent on unfunded items such as Qscend and Customer Relations Management System for the non-emergency calls to get the regionalization for the county up by April 1st and by June or July IT will need a budget amendment to pay their existing bills. Also, the county proposed that they would take over public safety but it hasn't happened and the City's 1992 radio system is deteriorating and may fail before the County ever takes over, plus Hurricane Season is coming up. Chair Kurtz asked why the County has delayed and Mike said that he received an e-mail explaining that there were a lot of political issues.

5. Chief Security Officer

Mike Maier said he thought they had a Chief Security Officer more than once but no one has been able to pass the background test. The task of hiring a Chief Security Officer might have to be turned over to a headhunter. IT will need training also in order to implement the ERP System.

7. Fixed Assets Inventory

Linda Logan-Short said that inventory is complete but it took herself and three employees weeks to do the reconciliation. They considered changing how we classify the City's capital assets. When a building was built they would take the cost of the building and depreciate it over 25 or 50 years. They tried to break out a water or sewer plant into components such as wells, generators, pumps, etc. but they could not get all the detail to tie back to the original building costs. The agency rule as adopted by the State's Chief Financial Officer specifies inventory rules for local governments but leaves municipalities out so the City is able to use a \$5,000 threshold. The Finance Department did finish the physical inventory and put the info into a stable database as

opposed to using Excel. Chair Kurtz asked if a lot of assets were not on the books and Linda said they found some assets that had accidentally been taken off the books or did not have a tag or no description but there was nothing significant. For items under \$5,000 the value was determined to be \$37 million of the 1.8 billion in assets and a net book value of \$4 million will be written off. Chair Kurtz asked if this would be a line item in the CAFR and Linda responded that the auditors said to run it through as a deletion. Chair Kurtz asked if there were any adjustments other than the \$37 million and Linda said the auditors claimed that the City had more in asset value than was on the books by about \$100 million. Richard Owen asked if there was a lot of physical counting involved in the inventory and Linda said the vendor did all the physical counting and provided a list of what they could not find. This list was sent to the departments to identify what were true assets. Richard asked if there was going to be a continuing process for inventory and Linda said they will generate a list bi-annually for each department with all their assets and John Herbst said that his department should oversee this process. Chair Kurtz suggested that for assets \$100,000 and above a count should be done every year and asked Linda to send him a copy of their inventory policy. John asked what is being done to control physical loss of commonly stolen items, such as laptops, tablets, guns etc. and Chair Kurtz said that a mechanism for this should be established. Roger Ally asked if the sum of the parts was greater than the whole for fixed assets and Linda said that was correct. Roger wanted to know if the water plant bought a \$50,000 pump how would it be depreciated and Linda said she has a cost estimate of that pump and she can do a partial depreciation that would result in a final value. Jennifer Diehl asked when the last physical inventory was done and Linda said in 2005.

9. Audit Advisory Board Vacancy

Chair Kurtz said that he made a suggestion to Commissioner Dubose about the Audit Advisory Board vacancy but he has not heard anything back. He asked that Linda contact the City Manager about the vacancy.

10. Other Business

Chair Kurtz asked about the Revenue Estimating Conference and Linda said that we need to appoint a representative from the Audit Advisory Board to attend the conference. Chair Kurtz suggested Jennifer Diehl, a motion was made by Roger Ally and seconded by Richard Owen and in a voice vote the motion passed unanimously.

Bob Oelke said that he was at the GERS pension meeting and the pension board asked why there are two sets of auditors. Linda said that finance needs the audit information before March and it was not going to be finished. Chair Kurtz said that when Markham's contract expires maybe the City should not renew and Doug said that the

pension boards make that decision. Chair Kurtz suggested that we find out when Markham's contract expires and let him know.

Next Meeting Date is scheduled for March 10, 2014

The meeting was adjourned at 6:23PM.

Documents Attached:

Crowe Horwath Audit Advisory Board Update

City Commission Conference Meeting Minutes 9/17/2013

[Minutes prepared by Lura Rogers, Board Liaison]