

APPROVED

**AUDIT ADVISORY BOARD REGULAR MEETING
CITY OF FORT LAUDERDALE
8th FLOOR CONFERENCE ROOM
October 29, 2015, 5:00 PM**

Board Member	Attendance	Cumulative Attendance	
		10/1/15 – 9/30/16	
		Present	Absent
Martin Kurtz, Chair	A	0	1
Richard Owen	P	1	0
Kimberly Jackson	P	1	0
D. Keith Cobb	P	1	0
Gregg McKee	P	1	0

Staff Present

Kirk Buffington, Director of Finance
Linda Logan-Short, Deputy Director of Finance
Laura Garcia, Controller
Pamela Winston, Senior Accountant
John Herbst, City Auditor
Ashley Harrison, Board Liaison

Other Attendees

Michelle Blackstock, Crowe Horwath
John Weber, Crowe Horwath

Call to Order

Board Member Richard Owen called the meeting to order at 5:05 p.m.

Roll Call

At the October 29, 2015 meeting, four (4) appointed members to the Board were present, allowing for a quorum.

Review of Meeting Minutes for Approval

Board Member Richard Owen asked the Board members if they had any questions or comments regarding the July 30, 2015 Board minutes. Being none, a Motion was made by D. Keith Cobb to approve the minutes, seconded by Greg McKee. In a voice vote, the motion passed unanimously.

Richard Owen asked whether there is any public input to be heard before entering into the agenda. Hearing none, he proceeded with the meeting.

Audit Plan

Mr. Weber handed out the Client Service Plan for the fiscal year that ended September 30, 2015, and briefly went over each page. It includes a table with the Crowe Horwath client service team, John Weber, Audit Partner and Michelle Blackstock, Audit Senior Manager.

Ms. Blackstock spoke about the timeline for all of the audit procedures. The preliminary fieldwork has already been completed. The year-end testing or fieldwork is to begin January 11, 2016. The draft CAFR is due to Crowe Horwath by February 8, 2016. A meeting will be held with the Audit Advisory Board on March 3, 2016, and then all of the reports and letters will be finalized so that it can be taken to the City Commission for acceptance on March 15, 2016.

Mr. Weber went over the significant estimates and risks, the required communications, and questions to be answered by the committee in regards to risks of fraud. Mr. Weber asked the board if they had any knowledge of fraud to which all replied that they did not.

City Auditor Work Plan

Mr. Herbst provided a risk analysis document to the Board members. He explains that the report is broken down by department, inactivity, function, and so forth and we look at a number of criteria, which is indicated at the top of the spreadsheet. We're looking at length of time since last audit, if it has been 4 or 5 year we may elevate that. We look at the financial impact, not everything is financial in nature. We look at whether or not we have any known or suspected internal control weaknesses, that is based on things that we may have heard, been advised of, or suspect. We look at reputation risk. We look at volume of activity, such as Accounts Payable who does more transactions. We look at technical complexity, derivatives are more complex. We look at if there has been a change in the management or organizational structure. We look at regulatory compliance requirements, is this Federal or State Law. We also look at if this is something of particular concern to the Commission or City Manager, those will override everything else we have. The last thing is that we look at the outcomes of previous audits. If we've done an audit in the past and we've noticed numerous issues with that department, we may elevate that in terms of our concern. We score all of the items amongst the staff in my department. The last page shows what the score represents. This will give us a summary of all of the things that have elevated to at least a 70 percentile. We will choose our engagements from this list, and we will also meet with the City Manager before we finalize our list to see if he has anything he would like us to take a look at.

One of the things that tend to impact our workload is that the new Commission has our office completing more special projects. Mr. Cobb asked if this is a model that makes

sense, to which Mr. Herbst responded that he believes they add a lot more value as a consulting function for the City Commission than in just the operational audits.

The larger areas of risk for the City right now fall in the area of construction and we have hired a dedicated construction auditor. She is right now looking into the aquatic center redevelopment.

Ms. Jackson inquired as to if something will be done about the IT security issue. Mr. Herbst reports we hired an outside firm that specializes in security audits to evaluate the IT department and we have also been doing training internally.

Mr. Cobb asked about the outsourcing of the franchise fee of utility service tax and if there are companies that specialize in that. Mr. Herbst explained that we have contracted the firm MuniServices who does this on a nationwide basis and has the appropriate software and techniques as well as the legal staff who understand the tax fees.

Mr. Herbst discussed his areas of concern and what they will be continuing to monitor, including the CRA, HUD grants, ERP and construction projects.

Mr. McKee asked about sidewalks on the report. Mr. Herbst responds that sidewalks have recently become a Commission priority and we want to gain a deeper understanding. The number of sidewalks that we've identified as needing repairs or replacement is a very high number and we want to look at how money is being collected and spent. Lack of sidewalks in certain areas is also something that will be looked into. What we will be looking at is how we track sidewalks, do we have inspection programs and what the process is.

ERP Selection Update

Ms. Logan-Short reports that we are currently reviewing the contract with the number one company, Infor, and trying to get the contract signed. We are meeting with legal right now to get that done. Mr. Cobb inquired as to if this information with the new system will be in the cloud, to which Ms. Logan-Short responded that yes it will be. Mr. Cobb also asked what the implementation schedule will be. Ms. Logan-Short reports that the current implementation schedule will be about 24 months. The first thing that will go online is the general ledger with all of the stuff that feeds into it. From there, they will start adding on the other pieces. The first phase of implementation they are figuring anywhere from 12-16 months to do the general ledger and 24 months for the entire ERP system.

Other Business

None.

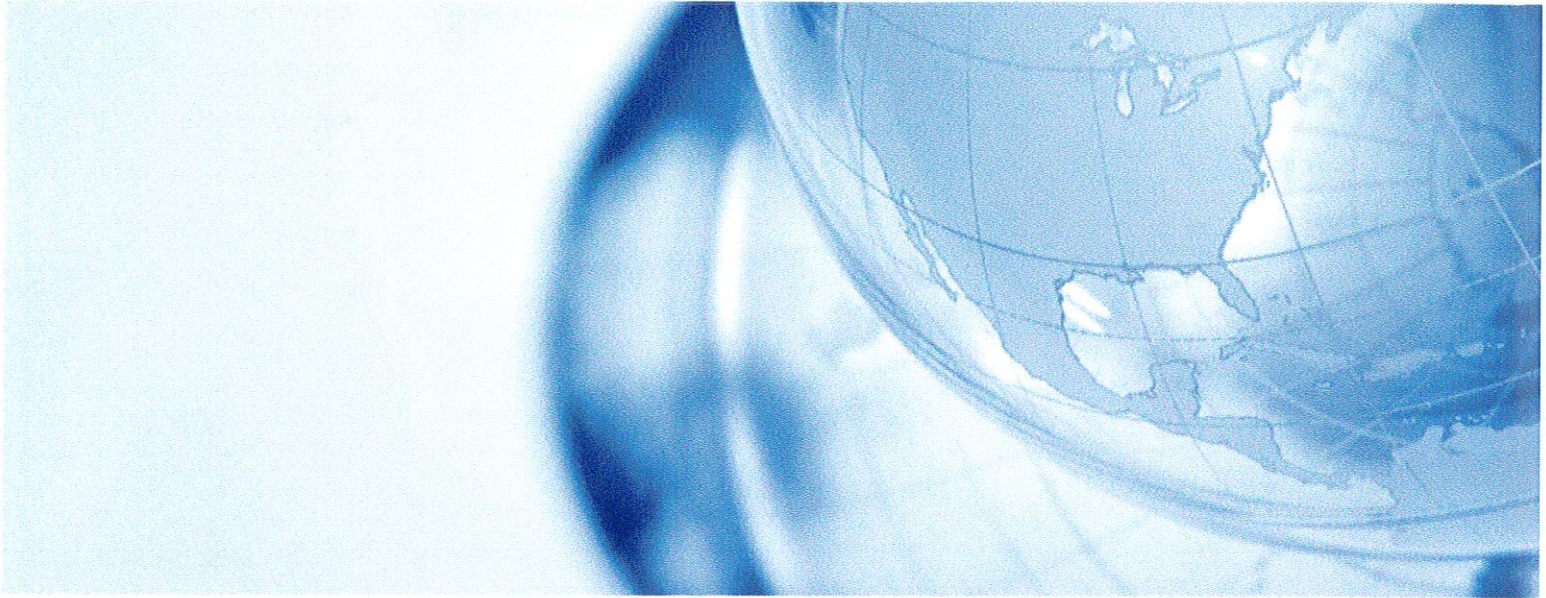
Communication to the City Commission

None.

The next meeting is scheduled for January 28, 2016 (in 8th Floor Conf Rm).

The meeting was adjourned at 5:59 PM.

[Minutes prepared by Ashley Harrison, Board Liaison]



Client Service Plan

September 30, 2015

City of Fort Lauderdale, Florida

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Crowe Horwath LLP
Independent Member Crowe Horwath International

City of Fort Lauderdale, Florida
Fort Lauderdale, Florida

We appreciate the opportunity to discuss with you various issues related to planning our audit services, and gaining an understanding of your expectations of us as your independent public accountants.

We will discuss with you how we plan to assist you to meet your needs, share our proposed client service plan, and review other key issues related to the audit. It is our philosophy to continually improve the quality of our service. We look forward to any comments you or others may have on our service. This client service plan should be considered a working document which will be updated during our meeting. We welcome your recommendations for additions or changes so that we can best meet all of your needs. An engagement letter for our services will provide a complete description of the services to be provided with the related terms and conditions.

Thank you for the opportunity to discuss the client service plan. We look forward to assisting you.

Sincerely,

A handwritten signature in black ink that reads "Crowe Horwath LLP".

Crowe Horwath LLP



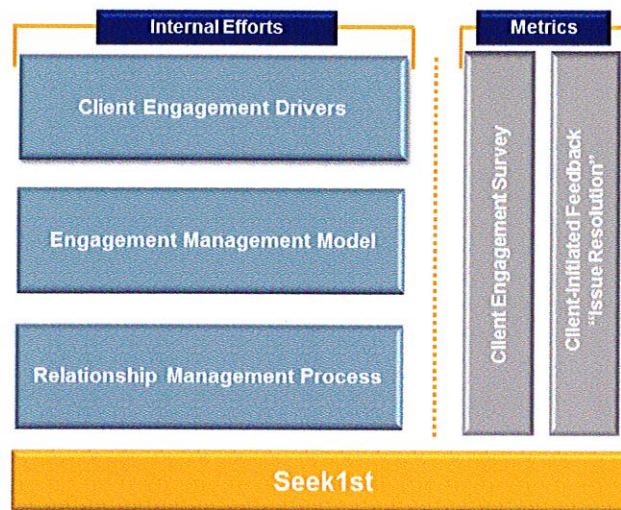
Crowe Client Service Team

Role	Name	Phone	Email	Definition of Role
Audit Partner	John Weber	813.209.2585	john.weber@crowehorwath.com	John is the auditor in charge and the partner signing our reports on your financial statements, internal control and compliance with federal and state single audit requirements.
Audit Senior Manager	Michelle Blackstock	954.202.2924	michelle.blackstock@crowehorwath.com	Michelle will oversee the execution of the audit.

Client Experience

At Crowe, we want to build strong relationships with our clients and dedicate ourselves to understanding ways in which we can ensure the services and experience we are providing are in alignment with your needs and expectations. We also believe it is important to strive for continuous improvement in the way we interact and deliver those services to you. We do this, in part, through our client service model and through feedback on our performance.

Our client experience strategy directs how we engage with you on a daily basis. Through our Seek1st™ process, we mutually set clear expectations for service delivery performance, we focus on delivering high-value solutions, and we are committed to creating an exceptional experience for you.



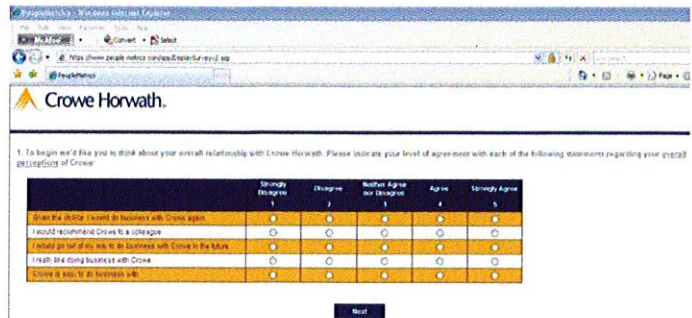
Creating an Exceptional Client Experience

We have learned by working with our clients that there are defining attributes important to their overall experience with Crowe. These attributes are our **engagement drivers** and they are the starting point for meeting your expectations.

- We know that a successful project demands exceptionally responsive communication at the right time, between the right people, and with the appropriate level of executive involvement.
- Because each client is distinct, we endeavor to get to know you personally and strive to bring the right combination of technical knowledge, industry expertise, and ideas that add value to your business.
- We deliver what we promise – on time, on budget, and with the highest quality deliverables.

Ultimately, each client decides whether its experience with Crowe is indeed exceptional. It is important for us to understand how our performance is being perceived by you and whether or not we are delivering real value. To help us better understand how well we meet your expectations, we have developed a two-part client feedback process to enable you to provide us with immediate and direct feedback.

- Engagement survey.** Crowe's engagement survey allows you to evaluate our performance. This Web-based survey is initiated for engagements upon their conclusion and provides Crowe the opportunity to obtain immediate feedback, which can be used for future planning or immediate issues resolution.
- Issue resolution process.** If you experience challenges that are unresolvable with your Crowe partner, we encourage you to contact our dedicated client feedback manager at 877.430.3900, or email clientfeedback@crowehorwath.com. The client feedback manager will work with you and Crowe leaders to understand the issue(s), and resolve the situation while ensuring that similar circumstances do not happen again.



Annually since 2002, we have worked with independent research firms to survey clients to help us understand how we can improve our client experience and earn their trust and recommendations.

- Crowe has achieved a **90 percent client engagement index**. An engaged client is one who agrees that they really like working with us, they likely will continue to use us, they would go out of their way to keep working with us, and will recommend us to colleagues.

 - Crowe outperforms the accounting industry client engagement index benchmark by 35 points,* according to survey administrator PeopleMetrics' latest "Most Engaged Customers" survey.
- Clients cite our industry expertise, high-quality deliverables, and executive involvement as our top performing engagement drivers.



For the fifth year in a row, Crowe has been recognized as one of the top performing companies across PeopleMetrics' customer base, measured according to the percentage of "recognize alerts" received through client surveys. A recognize alert occurs when a client has specifically recognized a member(s) of the engagement team who went "above and beyond" in meeting the client's needs. This award celebrates individuals who bring their employers' brands to life by going above and beyond for their customers and clients.

Sixty three percent of engagement surveys completed by Crowe clients include a Recognize Alert, outperforming PeopleMetrics' industry benchmark by 10 points.

* "Most Engaged Customers" Business to Business Survey, Accounting and Tax, PeopleMetrics Inc., 2013

Crowe's Services and Deliverables

We are committed to providing you with the highest level of professional service and to exceeding your expectations. We wish to ensure that we have an understanding of the services we are to perform and the deliverables that we are to provide.

Service	Deliverable(s)
Audit of the City's basic financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards	<ul style="list-style-type: none"> Independent auditor's report on financial statements
Audit of the City of Fort Lauderdale Community Redevelopment Agency	<ul style="list-style-type: none"> Independent auditor's report on financial statements
Audit of the City of Fort Lauderdale General Employees' Retirement System	<ul style="list-style-type: none"> Independent auditor's report on financial statements
Audit of the City's compliance with the requirements applicable each major federal program and state project	<ul style="list-style-type: none"> Independent auditor's report on compliance for each major federal program and state project and report on internal control over compliance
Communication of internal control deficiencies and other matters	<ul style="list-style-type: none"> Independent auditor's report on internal control over financial reporting and on compliance and other matters Schedule of findings and questioned costs Management letter in accordance with the Rules of the Florida Auditor General Letter to those charged with governance
Audit of the schedule of large user wastewater treatment rate computation	<ul style="list-style-type: none"> Independent auditor's report on the schedule of large user wastewater treatment rate computation
Examination of the City's compliance with the requirements of Section 218.415, Florida Statutes	<ul style="list-style-type: none"> Independent accountant's report on compliance with Section 218.415, Florida Statutes

Audit Timeline

To ensure we appropriately understand your expectations regarding the time frames for delivery and completion of our services, we wish to discuss with you the following draft timeline we have prepared.

Activity	Planned Date
Preliminary fieldwork start-date (duration)	August 10, 2015 (2 weeks)
Year-end testing start-date (duration)	January 11, 2016 (7 weeks)
Draft CAFR due to Crowe	February 8, 2016
Conduct meeting with Audit Advisory Board	March 3, 2016
Finalize Crowe reports and letters	March 3, 2016
City Commission acceptance meeting	March 15, 2016

Business, Fraud and IT Controls Risk Factors

During the course of our audit, we make assessments of various business, fraud and IT controls risk factors and tailor our audit procedures such that areas representing higher risk receive appropriate audit emphasis.

Identified Risk Factors: The table below provides a summary of selected risk factors, including selected fraud risk factors, and their potential impact on this year’s audit process. This is not intended to be a complete list of risk factors that you may face.

Category	Selected Item	Current Developments / Issues
Significant estimates	<ul style="list-style-type: none"> • Allowances for uncollectible accounts and loans receivable • Pension and OPEB liabilities and disclosures • Compensated absences liabilities • Estimated useful lives of capital assets • Self-insurance liabilities • Fair values of investments without readily determinable fair values – Pension Trust Funds • Fuel derivatives 	Implementation of GASB Statement No. 68 and recording of net pension liability
Fraud risk factors	<ul style="list-style-type: none"> • Improper revenue recognition due to fraud • Management override of control 	No known developments/issues since the prior year.

Required Communications

- The auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
- The auditor is responsible for performing the audit in accordance with :
 - Generally accepted auditing standards
 - The standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States
- The design of the audit is to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting.
- The auditor is responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Generally accepted auditing standards do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.
- When applicable, the auditor is also responsible for communicating particular matters required by laws or regulations, by agreement with the entity or by additional requirements applicable to the engagement.
- Certain information prepared by management that will accompany the audited financial statements will not be subjected to the auditing procedures applied in the audit of the basic financial statements and therefore we will express no opinion on this information. This includes the supplemental information included in the statements after the notes to financial statements.
- We will review the concept of materiality in our planning and will consider the internal control structure in determining our amounts.
- We will address the significant risks of material misstatement, whether due to fraud or error during our planned testing procedures.
- Internal control and the results of internal control testing will be a factor in determining the substantive testing performed.
- Whenever Crowe has determined that there is evidence that fraud may exist, that matter will be brought to the attention of an appropriate level of management. Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements will be reported directly to those charged with governance.

Fraud Risk Factors

During the course of our audit, we make assessments of various business, fraud, and IT controls risk factors and tailor our audit procedures such that areas representing higher risk receive appropriate audit emphasis. Consideration of fraud risk factors is required by Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* (SAS No. 99), which discusses three conditions that are generally present for fraud to occur:

1. Management or employees have incentives or feel pressure to commit fraud.
2. Opportunity exists through controls being absent, weak or overridden.
3. Rationalization due to attitudes or pressures.

SAS No. 99 requires specific information gathering procedures to be performed by the auditor. The audit team is required to brainstorm for areas where the organization is at risk of fraud. Additionally, specific inquiry of management and those charged with governance related to their knowledge of suspected fraud is also required as is inquiry and discussions with others in the organization regarding suspicion of fraud. Directly resulting from these information gathering procedures and discussions is the identification of material fraud risk factors, which require additional procedures to be performed by the auditor to address such identified risk factors.

Discussion Topics	Notable Issues
<ul style="list-style-type: none"> • Do you have any knowledge of any fraud or suspected fraud affecting the City? 	
<ul style="list-style-type: none"> • Are you aware of any allegations of fraud or suspected fraud affecting the City? 	
<ul style="list-style-type: none"> • What are your views about the risks of fraud and tone at the top regarding fraudulent activity? 	
<ul style="list-style-type: none"> • Do you feel those charged with governance or others with equivalent authority and responsibility exercise oversight activities with regard to the risks of fraud and the controls the City has established to mitigate these risks? 	
<ul style="list-style-type: none"> • Are you aware of any tips or complaints regarding the City's financial reporting and, if so, the City's responses to such tips and complaints? 	
<ul style="list-style-type: none"> • Are you aware of matters relevant to the audit including violations or possible violations or laws or regulations? 	



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