

APPROVED
AUDIT ADVISORY BOARD REGULAR MEETING
CITY OF FORT LAUDERDALE
1st FLOOR CHAMBERS
February 3, 2016, 5:00 PM

Board Member	Attendance	Cumulative Attendance	
		10/1/15 – 9/30/16	
		Present	Absent
Martin Kurtz, Chair	P	1	1
Richard Owen	A	1	1
Kimberly Jackson	A	1	1
D. Keith Cobb	P	2	0
Gregg McKee	P	2	0

Staff Present

Linda Logan-Short, Deputy Director of Finance
Laura Garcia, Controller
John Herbst, City Auditor
Marco Hausy, Assistant City Auditor III
Valerie Florestal, Budget Coordinator, ITS
Laura Reece, Budget Manager
Ashley Harrison, Board Liaison

Other Attendees

Michelle Blackstock, Crowe Horwath
John Weber, Crowe Horwath
Bob Oelke, Citizen

Call to Order

Chairman Kurtz called the meeting to order at 5:04PM. Chairman Kurtz stated that as a procedural, housekeeping matter, the board needs to take a consensus vote agreeing to set a meeting of the board for February 3, 2016, all in favor say yes. In a voice vote, the motion passed unanimously.

Roll Call

At the February 3, 2016 meeting, three (3) appointed members to the Board were present, allowing for a quorum.

Review of Meeting Minutes for Approval

Chairman Kurtz asked the Board members if they had any questions or comments

regarding the October 29, 2015 Board minutes. Being none, a Motion was made by D. Keith Cobb, to approve the minutes, seconded by Gregg McKee. In a voice vote, the motion passed unanimously.

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

Audit Status Report

Ms. Blackstock provided updates on Fiscal Year 2015. Crowe Horwath is currently out in the field, and the year-end fieldwork is progressing very nicely. We had a status meeting this afternoon and have made great progress. The IT audit fieldwork has been completed, and there are some items we will be going over with management. The single audit fieldwork is in process by Moore Stephens Lovelace and once that is complete we will do our review.

A draft financial statement and single audit reports will be presented to the Audit Advisory Board on March 3, 2016. Following that will be a presentation of the final financial statement and single audit reports to the City Commission on March 15, 2016.

Current year recommendations include potential IT that need to be discussed with management. There is only one existing from the prior year. We have not gotten to compensated absences in our yearend fieldwork. The various IT findings are a continuing item.

We have had no significant adjustments at this time.

We are in the process of completing the General Employees Retirement System (GERS) audit and I believe that we will go final with that report to their Board on March 3, 2016. We had a delay and have not received the actuarial reports, but we are expecting it by the end of this week. Most of our fieldwork is done, and we are in the drafting stages of the financial statements and we are pending that report. Police and Fire (P&F) will be presenting on their March 9, 2016 meeting. We will have all of the preliminary numbers from them, just not the final actuarial reports and their audits.

Mr. Weber indicates that Crowe's plan is to sign the opinion on March 9 or 10, 2016 in order to get it to the City Commission on time. We can't do anything until the pension audit is approved by the pension board.

Keith Cobb asked if there were any issues with the pensions. Ms. Logan-Short responds that typically there are no issues. Everything will be contingent on the plans

actuaries getting the required reports to the plans auditors in order for inclusion. She reports she doesn't have a time-line yet for P&F's actuaries but we do have one from GERS since Crowe has taken over the GERS audit.

Mr. Herbst asked if Crowe had any issues getting valuations for their alternative investment classes for GERS. To which Ms. Blackstock reports they received audited financial statements from one of the timber investments. We are continuing to work on that part of it.

Keith Cobb asked if March 15 is an acceptable schedule for the Commission and everyone else. Ms. Logan-Short reports that the reason it is done so early is to be able to apply for the GFOA award.

Chairman Kurtz explained that one good thing over the past couple of years since Crowe came on board is that the single audit used to go until June, but they now get it done at the same time.

Chairman Kurtz inquired about the single audit recommendations. Mr. Weber responded that there are not currently any recommendations. The main thing we are working through now with Moore Stephens Lovelace is that there are potentially two different sets of auditing requirements in place for this year's single audit. If the City received a grant prior to December 26, 2014 and then they received additional money related to that after December 26, 2014, there are two different sets of compliance requirements.

Ms. Logan-Short wanted to point out that not only is Crowe doing the City's audit and GERS audit, we have also contracted them to do an audit of one of our grants with DOJ and also a standalone audit for the CRA.

Draft Basic Financial Report

Ms. Logan-Short provided packets to the Board that included the basic fund financials and highlighted some items. The City has, under governmental activity, a negative unrestricted net position. That is from the implementation of GASB 68. At the end of last year we had a \$320 million net pension asset. With the implementation of GASB 68, that net pension asset has gone away. We are waiting for the finalization of the 68 report so we can incorporate that. We are just about to release it to the auditors. The health of the City financially is very well.

GASB 68 Effects

Ms. Logan-Short discussed that we don't have 68 results. Part of issuing the Pension Obligation Bonds (POB's) was not only to reduce the interest we are being charged on

the outstanding UAAL but also try and mitigate the effects of the implementation of GASB 68. I had an actuary do an estimate of what the effects would have been on the City's financials if we hadn't issued the POB's. As of September 30, 2014, the GASB 68 liability for P&F was \$19 million dollars. Had we not done the POB's, it would have been \$192 million. For GERS, there was actually a net pension asset of approximately \$700,000. If we had not issued a POB, we would have a \$150 million liability.

Keith Cobb inquired as to how this works by asking, you issued the pension obligation bonds and took the proceeds and gave them to the plan. So therefore the plan doesn't charge you interest on the unfunded liability? Ms. Logan-Short responded yes, and on top of that the proceeds earn interest.

ERP Selection Update

Ms. Logan-Short reports there is no real update on the ERP. The agreements are with IT and they are getting ready to meet with the legal department. There is no timeline yet, we are still in the negotiation stage.

Greg McKee asked what the goal to start the project is. Ms. Logan-Short responded that they are doing phases. They will do the main contract and then negotiate phases. Phase one will be the brain, which is the general ledger, along with Accounts Payable, and Accounts Receivable. Phase two will be Human Resources and the talent management and Payroll. Phase three will be everything else.

Chairman Kurtz inquired about a target date for total completion. Ms. Logan-Short responded that the initial presentation gave us a target date of 24 months, but we need to have an agreement and decide on what phases. Phase one will take 18 months, but phase two will be starting at the middle of phase one.

Chairman Kurtz asked if we have a big enough team for implementation. Ms. Logan-Short responded that we do not, but we talked about needing additional people to do the day-to-day work while also having dedicated people working on the ERP. Chairman Kurtz states that this Board supports adequate staffing of this process separate from the normal staff.

Other Business

- **Appointing Representative to Revenue Estimating Conference**

Ms. Reece discussed that the Budget office is in need of a liaison from this Board to serve on the Revenue Estimating Conference Committee. Keith Cobb offered to serve as the liaison. Chairman Kurtz made a motion to appoint Keith Cobb to

the Revenue Estimating Conference Committee, seconded by Greg McKee. In a voice vote, the motion passed unanimously.

- Scheduling of March 3, 2016 Special Meeting

Chairman Kurtz entertained a scheduling motion to schedule a March 3, 2016 meeting for the presentation of the Comprehensive Annual Financial Report to the Board. Keith Cobb made a motion to approve, seconded by Greg McKee. In a voice vote, the motion passed unanimously.

Chairman Kurtz inquired about what the construction auditor was working on. Mr. Hausy reports her primary focus is looking at the aquatics center planning and design. Going forward she will be looking at Fire Station D, which is the next fire station to come on board.

Mr. Herbst discussed two things that were released recently including temp staffing issues related to the Department of Sustainable Development. We also did a minor analysis looking at salary allocations within the CRA department. Both will be posted to the website.

Communication to the City Commission

None.

The next meeting is scheduled for March 3, 2016.

The meeting was adjourned at 5:52PM.

[Minutes prepared by Ashley Harrison, Board Liaison]



**City of Fort Lauderdale
Fiscal Year 2015 Audit Advisory Board Update
February 3, 2016**

1. Audit status
 - A. Year-end financial statement audit fieldwork in progress
 - B. IT audit fieldwork still in progress, open items received and in process of completion
 - C. Single audit fieldwork in process by MSL, reviewed by Crowe thereafter
2. Recap of timeline
 - A. Presentation of draft financial statement and single audit reports to Audit Advisory Board – March 3
 - B. Presentation of final financial statement and single audit reports to City Commission – March 15
3. Recommendations (internal control, compliance or other matters)
 - A. Current year recommendations
 - i. Potential IT – to be discussed with management upon completion of IT audit fieldwork procedures
 - B. Update on prior year recommendations
 - i. Compensated absences – pending completion of audit fieldwork
 - ii. Various IT findings – pending completion of IT audit fieldwork
4. Significant adjustments – none at this time
5. Other significant matters
 - A. Pension fund audits
 - i. GERS
 - i. Plan to provide statements and DROP reconciliation to actuary in order to complete GASB 67 report. Audit fieldwork in process.
 - ii. Police & Fire
 - i. Crowe will refer to work of other auditors
6. Questions or comments?