

APPROVED

**AUDIT ADVISORY BOARD REGULAR MEETING
CITY OF FORT LAUDERDALE
8th Floor Conference Room
March 3, 2016, 5:00 PM**

Board Member	Attendance	Cumulative Attendance	
		10/1/15 – 9/30/16	
		Present	Absent
Martin Kurtz, Chair	P	2	1
Richard Owen	A	1	2
Kimberly Jackson	A	1	2
D. Keith Cobb	P	3	0
Gregg McKee	P	3	0

Staff Present

Kirk Buffington, Director of Finance
Linda Logan-Short, Deputy Director of Finance
Laura Garcia, Controller
John Herbst, City Auditor
Marco Hausy, Assistant City Auditor III
Laura Reece, Budget Manager
Pamela Winston, Senior Accountant
Dawn Johnson, Senior Accountant
Terri Lea Hugie, Senior Management Fellow
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 5:06PM.

Roll Call

At the March 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 February 3, 2016 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.

Draft Comprehensive Annual Financial Report (CAFR)

Ms. Logan-Short explained that the Board received a draft at the last meeting but since that the GASB 68 changes from both Police and Fire (P&F) and General Employees Retirement System (GERS) have been incorporated. There will still be minor tweaks to the CAFR but we are 99% completed.

Mr. Weber discussed that the CAFR has not been through all of the reviews in their firm yet. The plan is to get through the reviews and then present to the City Council on March 15, 2016, but that will be in draft form.

Chairman Kurtz asked how that would work in regards to being able to submit, and Ms. Logan-Short replied that as long as we get the final document signed off by March 31, 2016, we will be able to submit to the GFOA. We still have not received P&F's audit, so we can't finalize our audit until they finalize theirs, which will not happen until March 9, 2016. Chairman Kurtz advised that if anything comes up that will delay the filing; this Board needs to be notified of that.

Mr. Weber distributed copies of a report entitled "City of Fort Lauderdale – Year End Audit Results" and discussed each page individually. He went over page 2 that provides an overview of the agenda and continued on to page 3 that provides an overview of the scope of services/deliverables.

Mr. Weber discussed the Financial Statement Overview on pages 4 and 5. The assets and deferred outflows of the City exceeded liabilities at the end of the year by \$811.7 million, so that is the net position of the City at year-end. Chairman Kurtz asked how that compares to last year. Ms. Logan-Short reports it was over \$1 billion, but the implementation of GASB 68 created a reduction of \$300 million in assets, related to pensions.

Mr. Weber continued with the presentation.

Ms. Blackstock went over the audit results on page 6. She discussed the Internal Control and Compliance Report which will have two items of note that are both repeating items. Both of those are IT Control issues that are still outstanding and have to do with source code, making changes to the source code and putting that live and people having segregation of duties. There has been some slight improvement from the prior year so we've modified the comment a little bit.

Greg McKee inquired if it was IT software that's being used for revenue collection to which Ms. Blackstock responded that the two are Sum Total and Cash Cloud. Ms. Logan-Short reports Sum Total is our payroll system, and Cash Cloud is the cash receiving system.

Chairman Kurtz asked if the ERP would help solve these problems. Ms. Logan-Short responded that it would, but in the meantime, the City Manager's office is really looking at findings that have been there for a very long time. There are some other mitigating controls that they can do, until such time that the ERP is here.

Ms. Blackstock reports the IT findings will be reported as a significant deficiency as in the prior year. The other one is a material weakness and it has to do with FAMIS user administrative procedures which is a repeat from the prior year. Ms. Logan-Short asked for clarification from Crowe Horwath that what was put into place to clear this finding wasn't good enough, to which Ms. Blackstock responded that no, it was not. D. Keith Cobb asked if that was the only material weakness we had, to which Ms. Blackstock responded yes. Mr. Buffington reported that when the finding came up last year, the department put into place what they believed were going to be corrective actions that would mitigate that finding. It is a surprise to us that it has occurred again. We will get back to the Board with what the finding is and a proposed solution.

Ms. Blackstock continued the presentation to say that the other finding from the prior year with regards to the compensated absences has been resolved.

Ms. Blackstock reports an unmodified opinion on Federal and State with no material weaknesses, significant deficiencies or findings that would need to be reported. Our management letter has no comments.

Ms. Logan-Short advised that the single audit is not presented in the CAFR today, but you will be receiving a draft of it soon.

Mr. Weber went over the various types of communication. Mr. Weber continued to discuss corrected and uncorrected misstatements. He reports there were not any material corrected misstatements that we found during the audit. There were a few

entries that were not material that we brought to management's attention and management did make the decision to book them during the process. Therefore, there are no uncorrected misstatements in the audit.

The audited financial statements include a transmittal letter, management's discussion and analysis, various required supplementary information and then a statistical section on 10 year historical data. We do not audit that information and we don't provide an opinion on it, but we do read it and make sure that it is consistent with the numbers in the financial statements.

We did not encounter any significant difficulties during the audit and we did not have any disagreements with management. As far as we are aware, the City had no other consultations with other accountants related to the recording of activity or transaction. We do represent a number of things from management which we will do at the end of the audit process before we go final. There are no other significant issues or findings of any significance that will be reported.

Mr. Weber ended by saying that overall it was a very good audit. He expressed that everyone at the City is very professional to work with, that there are a lot of things going on, and not to have any findings in the single audit area and the federal grants is outstanding. He expressed the difficulty of implementing GASB 68. Ms. Logan-Short added that one of the challenges was having an option on choosing a measurement date.

Gregg McKee asked if there would be a process to deal with the IT control findings. Mr. Buffington responded that it was going to be outstanding. Chairman Kurtz suggested that the next meeting we have a broad discussion on IT.

Chairman Kurtz commended the Finance department staff as well as other departments on their efforts.

Mr. Herbst explained that we did a separate audit of the CRA this year and it will get incorporated into the City's CAFR.

Other Business

- **Crowe Horwath Contract Renewal**

Ms. Logan-Short advised that the contract is due to expire at the end of this year. Crowe Horwath still has an additional year that can be renewed, so we wanted to bring it as a consideration to see if the Board wants to take action to extend the contract.

Chairman Kurtz explained to new Board members that the Audit Advisory Board is the selection committee for the Auditors. Keith Cobb asked if the fees were fixed, to which Ms. Logan-Short replied that they were.

A motion was made by D. Keith Cobb, to extend the contract, seconded by Greg McKee. In a voice vote, the motion passed unanimously.

Communication to the City Commission

Chairman Kurtz entertained a motion to approve the submission of the CAFR to the City Commission. A motion was made by D. Keith Cobb, seconded by Greg McKee. In a voice vote, the motion passed unanimously.

The next meeting is scheduled for April 28, 2016.

The meeting was adjourned at 5:57PM.

[Minutes prepared by Ashley Harrison, Board Liaison]



City of Fort Lauderdale – Year End Audit Results

Agenda

- Scope of Services/Deliverables
- Financial Statement Overview
- Audit Results
- Those Charged With Governance Communication

The accompanying information should be read in conjunction with the audited financial statements and is intended solely for the information and use of the Mayor, City Commissioners, Audit Advisory Board, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Scope of Services/Deliverables

- Audit Report on the Comprehensive Annual Financial Report
- Internal Control and Compliance Report - Government Auditing Standards
- Single Audit Report
- Management Letter
- Those Charged With Governance Communication

Financial Statement Overview

- The assets and deferred outflows of resources of the City exceeded its liabilities at September 30, 2015, by \$811.7 million (net position). Of this amount, \$131.4 million was from governmental activities and \$680.4 million was from business-type activities.
- The City's total net position increased by \$61.4 million in fiscal year 2015. Regarding fiscal year 2015 activities, net position of the business-type activities increased by \$11 million, and an increase of \$50.4 million was attributable to the governmental activities.
- Beginning net position has been restated by a decrease of \$340 million due to the implementation of GASB 68 in order to remove the prior year net pension asset of \$321 million and record the net pension liability of \$19 million.
- As of September 30, 2015, the City's general funds fund balance was \$69.4 million, an increase of \$15.8 million from the prior year. This increase was primarily due to the City prevailing on an appeal with FEMA in the amount of \$8.9 million and an increase in property tax of \$5.7.

Financial Statement Overview

- At the end of the current fiscal year, unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) for the General Fund was \$69.2 million, or 27% of total General Fund expenditures and other financing uses.
- The City's long-term debt decreased by \$35.6 million which is a result of the issuance of \$7.6 million in tax increment revenue note, \$2.3 million in capital lease additions and the reduction of \$45.6 million in annual debt payments.

Audit Results

- Audit Report on the Comprehensive Annual Financial Report
 - Unmodified Opinion
- Internal Control and Compliance Report - Governmental Auditing Standards
 - IT Controls (Sum Total and Cash Cloud)
- Single Audit Report - Federal and State
 - Unmodified Opinion
 - No Material Weaknesses, Significant Deficiencies or Findings
- Management Letter
 - No comments

Those Charged With Governance Communication

- Auditor's Responsibility Under Auditing Standards Generally Accepted In The United States Of America
- Auditor's Responsibility Under Government Auditing Standards
- Significant Accounting Policies And Management Judgments and Accounting Estimates
 - Significant Accounting Policies
 - Management's Judgments And Accounting Estimates
- Auditor's Judgments About Qualitative Aspects of Significant Accounting Practices

Those Charged With Governance Communication

- Corrected And Uncorrected Misstatements
- Other Communications
 - Other Information in Documents Containing Audited Financial Statements
 - Significant Difficulties Encountered During the Audit
 - Disagreements with Management
 - Consultations with Other Accountants
 - Representations the Auditor is Requesting from Management
 - Significant Issues Discussed, or Subject to Correspondence, with Management
 - Other Finding or Issues We Find Relevant or Significant