

APPROVED

**AUDIT ADVISORY BOARD REGULAR MEETING
CITY OF FORT LAUDERDALE
8th Floor Conference Room
November 29, 2016, 5:00 PM**

Board Member	Attendance	Cumulative Attendance	
		10/1/16 – 9/30/17	
		Present	Absent
Martin Kurtz, Chair	P	1	0
Richard Owen [5:19]	P	1	0
D. Keith Cobb	P	1	0
Gregg McKee	P	1	0

Staff Present

Kirk Buffington, Director of Finance
Laura Garcia, Controller
Anthony Fajardo, Director of Sustainable Development
Alfred Battle, Deputy Director of Sustainable Development
Mike Maier, Director, ITS
Stacy Spates, Administrative Assistant II
Pamela Winston, Senior Accountant
Hendry Lopez, Procurement Specialist I
Marco Hausy, Assistant City Auditor III
John Herbst, City Auditor
Barbara Smith, Administrative Assistant II
Ashley Harrison, Management Analyst
Linda Picciolo, Board Liaison

Other Attendees

Michelle Blackstock, Crowe Horwath
John Weber, Crowe Horwath

Call to Order

Chairman Kurtz called the meeting to order at 5:09 PM. 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 November 29, 2016, all in favor say yes. In a voice vote, the motion passed unanimously.

Roll Call

At the November 29, 2016 meeting, four (4) 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 July 28, 2016 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.

Discussion of the RFP Evaluation Process and Timeline

Chairman Kurtz moved the discussion of the RFP Evaluation Process and Timeline up on the agenda. Hendry Lopez, Procurement Specialist I, was on hand to take notes regarding comments from the board.

Chairman Kurtz advised that the Audit Advisory Board serves as the Auditor Selection Committee. The current auditor contract was a three year contract with two possible one-year extensions. They are working on the final year ending September 2016. The Committee will select the auditor for the year ending September 2017.

Kirk Buffington explained the procedure for the selection process. The Committee may have oral presentations if desired. The Selection Committee may need to schedule additional meetings with one meeting mandatory to go through a ranking process. RFP Draft to be released on or before December 20, 2016, and will be available for 30 days. All proposals will be received on or around January 20, 2017. Minimum qualifications will be verified and then the Committee will receive the proposals to review. Each member will evaluate the proposals based on the criteria specified in the RFP. It is important that the proposals and criteria are reviewed together. It is not appropriate to rank based on other factors or outside knowledge. First date of Committee meeting is scheduled for February 28, 2017. All members will have ranked the proposals individually and a discussion will ensue to get a consensus ranking. If more than three proposals are received and the Committee would like to schedule additional presentations, they must have a minimum of three. Final selection will go to the City Commission in April 2017. Laura Garcia, Controller, noted that the dates of January 26, February 28 and April 27 are regular scheduled meeting dates.

Some history of the last solicitation was shared by Kirk Buffington and Chairman Kurtz opened the floor for any questions about the RFP process or timeline. Several questions were addressed from Committee Members regarding the ranking criteria, the number of proposals received in the past and if on-site visits are required before the bid process. Committee members are not permitted to be approached by firms making proposals.

Chairman Kurtz suggested an adjustment to the weighting on the criteria for “meeting the date” from 10% to 15%. Removing 5% from “staffing” leaves both criteria at 15%. A consensus was reached. An official vote was not required.

Final copies of the RFP will be distributed when available. Documentation regarding the review process will be sent to Committee Members.

Ashley Harrison introduced Linda Picciolo as the new Audit Advisory Board Liaison.

Chairman Kurtz opened the floor for public input. No members of the general public came forward.

Audit Plan

Michelle Blackstock and John Weber from Crowe Horwath were introduced by Chairman Kurtz. Crowe Horwath’s Client Service Plan dated September 30, 2016 was distributed to those in attendance. Mr. Weber discussed the scope of services, client service team, and timeline for the audit. He reviewed required communications with the Board and specific questions regarding the planning of the audit. The same audit team will be returning for this year’s audit.

An in-depth explanation of the concept of materiality in planning was requested by D. Keith Cobb.

One financial report for the CRA will be required as a non-audit service.

Reference to the County in the Fraud Risk Factors section of the Client Service Plan was an error. It should reference the City.

Mr. Weber opened the floor to any questions or matters for discussion from the Board. D. Keith Cobb wondered if John Weber followed the news regarding any issues in the City. Mr. Weber replied positively that he and his firm follow the news relating to his clients. Chairman Kurtz asked if they review the reports of the Commission Audits. Again, the answer was positive.

Discussion and Review of Open Findings Database

Chairman Kurtz opened the discussion and review of the open audit findings report.

- A. Information Technology: The first issue concerns IT controls for payroll which had been partially implemented. Mike Maier, CIO, assured the board that the issue has been addressed and completed.

- B. Finance: Kirk Buffington addressed the finance issues. The first is the finalization of the COOP Plan which has been partially implemented. The challenge to do a full testing and implementation was that staff would have had to go off-site for three days in October. However, activation and preparation for Hurricane Matthew will be used as the testing for the implementation of the COOP plan and policy is being written.

An additional finding has to do with HR and the creation of a policy for contract services. Procurement and HR have met and a draft policy has been created. It is taking longer than normal due to a change in staff.

Chairman Kurtz addressed the Cyborg Payroll System, which Kirk believes has been fully implemented but will confirm.

- C. DSD: Anthony Fajardo, Director of Sustainable Development, has a list of candidates for his open position and will have someone hired just after the first of the year due to the interview process and holidays. This position has been open since 2011.

The Project Manager position for DSD is a different position and is for the Accela Software Program, our new land management software. Simeon Ivanov has been hired and will be heading the 18 to 24 month process. A soft kick-off was held two weeks ago with the official kick-off December 12, 2016. Chairman Kurtz questioned the time line. The land management software we are currently using is Community Plus which is antiquated and not supported by the parent company due to customization by the City. Community Plus handles all building permits, code enforcement, alarm permits and special events. Accela will accommodate all of our needs and it is fully scalable and highly configurable. There should be a 30% increase in efficiency with just the software. It will be fully integrated with several different departments and will allow multiple users to access the same file at the same time. Al Battle, Deputy Director of Sustainable Development, added that DSD will have full GIS interface which they currently do not have. They are pre-purchasing some of the hardware they will need so they are ready to go.

Anthony Fajardo stated that E-Plan Soft has been implemented to allow the department to become familiar with electronic plans. Software platform changes are difficult to implement. They are just in the beginning stages of the conversion process. IT will run some correction software to locate problems and clean the software before they move the data to the new program. John Herbst, City Auditor, explained that they cannot have a clear cut off point like they have done in other departments because the land management data is live and they do not want to lose the history.

- D. Parks & Rec: Chairman Kurtz is concerned about the new audit report for the cemeteries which had four areas of material weakness. John Herbst presented his finding to the City Commission and City Manager and was asked to present to the Cemetery Advisory Board. The meeting went well until one of the Board Members, (not present at the first meeting), escalated the issue. This Board Member wrote a scathing memo to the City Commission. John's audit was not of the Cemetery Advisory Board, but of the City's management and operation. The Board is tasked with administration and is very different than any other board. They objected to the finding that not enough money is being spent on maintenance. They were not open to the suggestion that they were not reading or interpreting the code correctly. Carriage Services is the maintenance vendor. The City Manager is mostly responsible for the issues found in the report. The Cemetery Advisory Board may have overstepped its role by changing terms of contracts. Nobody has the power to change a contract approved by the City Commission. John believes the City Manager will move forward, regardless of the Board's objection. There are some ordinance and contract changes that need to be addressed. The Board has been around for a while. Kirk Buffington used to be a part of the Board and was at the last meeting. Stacy Spates was introduced to answer questions. Additional discussion ensued regarding the City Manager's role and the Cemetery Advisory Board's role. Stacy is relatively new to the position which she started in March 2016.

Chairman Kurtz stated the reason the Audit Advisory Board is reviewing the findings is to make sure they are addressed and resolved.

Stacy Spates explained how the first meeting went over well and was productive. The two biggest issues were the amount of money spent on maintenance and the difference between the ordinance and the investment policy in the rules and regulations. Now, all are moving forward. She has been tasked with developing SOP's, developing manual contractor evaluation, and tracking gross receipts. A conference call with Carriage Services is scheduled to discuss the issues they are having getting the information. If she is unable to resolve, she will escalate.

John Herbst explained the background on the cemetery trusts. Two trusts were in place, one at 9% and one at 10%. Eventually they were folded into one. The Cemetery Board set up the rules and regulations for expenditures which is inconsistent with the ordinance code. Whenever this occurs, the ordinance takes precedent. The recommendation was to either follow the code or amend the code if that is more appropriate to the operation. The fund is now up to \$26 million and growing. Interest and dividends go to Carriage and capital gains stay in the fund. This is not in the rules or regulations but a direction put into place when negotiating the contract.

A discussion ensued. The Cemetery Advisory Board's primary concern is the perpetuity of the cemetery. John Herbst believes we need to address our expansionary needs rather than just the maintenance. Kirk Buffington is satisfied that this issue will be resolved as long as Lee Feldman is the City Manager. John Herbst will shift to quarterly reports from semi-annual to keep the Commission updated. The next meeting of the Cemetery Board is on January 12, 2017.

City Auditor Work Plan

The City Auditor, John Herbst, prepared a matrix of potential risks to the city. A score is given to each item and the top items over 70% have been extracted out. A list of items is included that the Auditor would like to get to this year if the Commission and staffing allows. The department is one staff member short and they are in the process of posting that position. They also have a Construction Auditor. Fire Rescue Blue Ribbon Committee has requested an audit of the last Fire Station constructed from the planning stages through operations.

John is interested in auditing the P-Card program since it has expanded. It has been about five years since it was last audited. Fire Rescue Transport Service is another item he would like to audit. The Health Insurance Fund has been an issue with several parties expressing concern. Questions and concerns have been raised regarding the Evidence Room in PD. The Auditor is trying to touch every department in the City at some point. Fuel was an area they looked at a few years ago and he would like to check to make sure the controls they put in place are working. Building permits and building inspections are problematic. Revision 7 to Article 5 changed the way the State funded the court system in Florida. State Attorney and Public Defender would no longer cover municipal violations. John would like to audit the City Prosecutor's office to see how first time offenders are being admitted into diversionary programs and how these contracts were established.

He also wants to see how our HUD grants are being administered. FEMA is the last item he would like to review. The City incurred additional expense with Hurricane Matthew. This may not be an actual audit, but more of an inquiry.

Chairman Kurtz asked how much will actually get done. John replied that he will get to audit the P-Card, the Evidence Room, the City Prosecutor's office, possibly the controls on the fuel and maybe the HUD funds.

Board member, Richard Owen, asked about personal electronic devices connected to City devices and if this was being addressed in the external audit. It is a huge concern in the audit industry. John Weber from Crowe Horwath advised it is not a part of the external audit. A discussion ensued. Crowe Horwath has a cyber security department that conducts internal and external penetration assessments. According to John Herbst, the City has done penetration studies and there was an issue about a year and a half ago with "anonymous" hacking into the City's system due to their perceived treatment of

the homeless. There are still constant attempts and the sophistication of the hacking community has grown. One of the most vulnerable devices is a photocopier. There have been massive breaches at major corporations over the past few years.

Sidewalks are a liability issue and it is not just maintenance related. Once you recognize the liability you now have more liability and an obligation to fix the potential liability.

Police training has become a hot topic issue in light of recent events across the country. John Herbst would like to look at the quality and effectiveness of the training programs.

ERP Update

Kirk Buffington states we have fully executed contracts with both the primary contractor, Ciber, and the primary software company, Infor. We are in the process of installing the drivers and hardware that will be needed to run the software. Timeline is 18 months.

Communication to the City Commission

None

The next meeting is scheduled for January 26, 2017.

The meeting was adjourned at 6:44 PM.

[Minutes prepared by Linda Picciolo, Board Liaison]

Client Service Plan

September 30, 2016

City of Fort Lauderdale, Florida

Table of Contents

Letter to Management..... 1

The Crowe Horwath Audit Engagement

 Crowe Client Service Team 2

 Client Experience..... 3

 Crowe’s Services and Deliverables 4

 Audit Timeline 5

Audit Planning Discussions

 Required Communication 6

 Fraud Risk Factors 7



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,

John Weber
Crowe Horwath LLP

Crowe Client Service Team

Role	Name	Phone	Email	Definition of Role
Client Relations/Audit Partner	John Weber	813.209.2585	john.weber@crowehorwath.com	John will work with our engagement team to understand your expectations and ensure that your needs are met through the delivery of our services. John is also the partner signing our reports on your financial statements.
Audit Senior Manager	Michelle Blackstock	954.202.2924	michelle.blackstock@crowehorwath.com	Michelle will oversee the execution of the audit, focusing on overseeing engagement management and on accounting and financial reporting matters.
In Charge	Mischa Freystaetter	954.202.8573	mischa.freystaetter@crowehorwath.com	Mischa will oversee the execution of the audit and accounting and financial reporting matters.
Information Systems Partner	Craig Sullivan	574.236.7618	craig.sullivan@crowehorwath.com	Craig will oversee the identification and testing of the information systems risks and controls related to the financial statements and internal control audits.

Client Experience

Why Do Our Clients Choose Crowe?

Clients tell us when our technical expertise, industry knowledge, and applied technology come together, exceptional service and value result. At Crowe Horwath LLP, we take pride in our relationships with our clients. Our vision is that our people come to work every day motivated to provide our clients with an exceptional experience in every interaction and to help our professionals maintain objectivity in the delivery of our services.



How Do We Do This?

We have learned from our clients that there are certain attributes important to their overall experience, and each client perceives value differently. To help us meet our clients' expectations, we conduct an engagement survey that allows our clients to evaluate our performance. Proof of this can be found in what our clients say about us, in our client engagement survey results, and through recognition we've received from client experience organizations.

In addition, if a client is faced with a challenge or issue that is unresolvable with their Crowe partner, we encourage clients to contact our dedicated client feedback manager by calling 877.430.3900, or emailing clientfeedback@crowehorwath.com. The client feedback manager works with our clients and Crowe leaders to understand the issue(s), and resolve the situation while ensuring that similar circumstances do not happen again.

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
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 to 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.

Date	Activity
September 19 and 26, 2016	Interim fieldwork
June 20 and 27, 2016	IT interim fieldwork
October 10 and 17, 2016	IT year end fieldwork
November 21 through December 5, 2016	Community Redevelopment Agency and General Employees' Retirement System (GERS) year end fieldwork
December 12, 2016	Preliminary GERS statements available for actuary
January 9 through February 24, 2017	Year-end fieldwork
January 12, 2017	Actuary to provide GASB 67 report
January 26, 2017	Draft GERS financial statements to Audit Committee
January 27, 2017	Draft CAFR due to Crowe
February 2, 2017	Final GERS financial statements to Board of Trustees
February 6, 2017	Final CAFR due to Crowe
February 28, 2017	Meeting with Audit Advisory Board
March 7, 2017	City Commission Acceptance Meeting

Required Communication

Auditor's responsibilities under Generally Accepted Auditing Standards

- 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 introductory section, required supplemental information, management's discussion and analysis of financial condition and results of operations, and statistical tables 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.
- We will assist in the preparation of the draft financial statements for the City of Fort Lauderdale Community Redevelopment Agency. With respect to other services provided, management is responsible for making all management decisions; oversee the service by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.

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 (SAS No. 99) "Consideration of Fraud in a Financial Statement Audit", 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 Regarding the Risk of Material Misstatement Due to Fraud:

Discussion Topics	Notable Issues
<ul style="list-style-type: none"> • Do you have any knowledge of any fraud or suspected fraud affecting the County? 	
<ul style="list-style-type: none"> • Are you aware of any allegations of fraud affecting the County? 	
<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 (Board of Commissioners) or others with equivalent authority and responsibility exercise oversight activities with regard to the risks of fraud and the controls the County has established to mitigate these risks? 	
<ul style="list-style-type: none"> • Are you aware of any tips or complaints regarding the County's financial reporting and, if so, the County'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? 	
<ul style="list-style-type: none"> • Are there any other matters related to the audit you would like to discuss with us? 	