

MINUTES
FORT MYERS BEACH
AUDIT COMMITTEE
Town Hall
2525 Estero Boulevard
Fort Myers Beach, FL 33931
Monday, December 10, 2018

I. CALL TO ORDER

Meeting was called to order at 9:00 a.m. by Vice Chair Lombard . Members present: Dick Cote, John Goggin, Dan Hughes and Edward Lombard.

Excused: James Rodwell

Staff Liaison: Robert Lange

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF OCTOBER 8, 2018 MINUTES

MOTION: Mr. Goggin moved to approve the October 8, 2018 minutes; second by Mr. Cote.

VOTE: Motion passed unanimously.

Mr. Goggin questioned whether Mr. Lange would provide a copy of the ProSoft contract. Mr. Lange will email copies.

Mr. Lombard questioned the status of the Rules and Procedures for meetings. Mr. Lange will follow up with the Town Manager.

IV. FINANCE DIRECTOR REPORT ON FINANCIAL SYSTEMS AND OPERATIONAL CHANGES AND IMPACTS

Mr. Lange reported that they implemented the system through the requisition module. The next segment will be the fixed asset module, which was a reporting system for assets the Town acquired over the past year. Historical data will also be migrated into the system. He noted the interfacing of external operations was still being implemented and they will interface directly into the accounting system. Mr. Lange stated that they transitioned cash operations to First Florida Integrity Bank in October to allow for a more efficient operation. A safe will be provided, it will record all cash operations and post credits immediately.

Mr. Lange indicated that they lost two employees and hired one person from a temporary agency and he introduced him (Andrea Heiting) to the committee. Mr. Heiting is a CPA with 35 years' experience in the federal governmental sector. He noted that the finance department now has three individuals with strong financial reporting structure and internal control disciplines. Mr. Goggin questioned Mr. Heiting's role. Mr. Lange replied that he was handling bank reconciliations and the HR role. He was experienced in policy writing and he will review policies and operations on an ongoing basis for compliance purposes. Mr. Lange distributed the Policies and Procedures and Internal Controls documents. Mr. Heiting would like to apply the risk factors to those processes that would expose them the greatest. He will continue to work on the document and Mr. Lange encouraged the Audit Committee to submit comments. Mr. Goggin offered to assist Mr. Heiting.

Mr. Lange reported that the new biometric payroll time keeping system was implemented and in process. Mr. Goggin questioned why every employee was not being paid by direct deposit and why stubs were printed. Mr. Lange replied that Mr. Heiting will address the issue.

Mr. Lange noted that the Town has completed the transition to First Florida Integrity Bank and have begun noticing increases in revenue with the new bank. Credit card payment fees have reduced and savings are determined to average \$3,000.00 per month. Overall savings could amount to \$80,000.00 for the year. He stated that departments were now required to provide documentation of goods received with purchase orders. He indicated that he and Cheryl will attend an annual conference of users to learn how to expand the use of the system. Mr. Lange and Mr. Goggin explained how the subsystems integrated into the primary system.

Mr. Lange provided an unaudited budget at a glance and noted they were in process of validating the information. He indicated that the green portion was the revenue side and the red portion reflected what was spent over the past 12 months. He explained that the Town approved funds for capital projects in 2017 but they did not spend all the money and the funds were still in the fund balance waiting to be used. He noted that the general fund will transfer the money to capital funds so the money could be spent there. Mr. Lombard questioned where to find the unexpended balance in the 2018 capital budget. Mr. Lange replied that he could provide a report that included capital funds. Mr. Lombard would like to see the capital part of the budget reflected in the budget presentation and what capital funds remained from previous years. Mr. Lange offered to make a presentation of how funds were managed. He will incorporate the capital into the budget. He noted that he will meet with the Town Manager to review departmental budgets and they will discuss surplus funds.

Mr. Lombard questioned the location of work load statistics. Mr. Lange replied that individual departments tracked the history of activities in their organizations. Mr. Goggin explained that departments kept transactional records with the Shopkeeper system and those documentations will be layered into the system flow.

V. CLIFTON LARSON AUDIT STATUS FYE 9/30/18 – DISCUSSION

Mr. Lange stated that the auditors did their preliminary work in October and they will return in January of 2019 to start their field work. He indicated that for comparative purposes the budget will not match on line by line view due to the new system conversion but they were cleaning it up for consistency. He will be able to generate a financial report known as GASB-34 for the first time. He expected to receive the audit report by the end of March, 2019.

VI. WATER AND STORMWATER CONSTRUCTION PROJECT REPORT

Mr. Lange provided a report regarding the state loans for drinking water and storm water. The consultant estimated that their needs for drinking water would amount to \$21.4 million and they were short about \$4.3 million. He stated that the state dispersed \$7.9 million with a balance of \$9.1 million. On the storm water side, the state recognized \$5.5 million of the loan, with an additional \$4.5 million in the works, and the State has reimbursed \$2.147 million in project cost leaving a balance of \$4.4 million to be reimbursed.

Expenses incurred for both loans were reflected on the second page of the report. The drinking water loan showed total expected expenses of \$20 million for construction. Technical services expenses were \$800,000.00. The storm water construction was \$130,000.00 to the good.

Mr. Lange noted the first phase of the storm water was approved for \$5 million and the second phase will be \$4.5 million, which was in the authorization process. On the water side, \$17 million was approved by the state and \$7.8 million has been spent.

Mr. Cote mentioned the construction on Estero Blvd. and he questioned how they kept track of what was for storm water and what was for drinking water. Mr. Lange stated that the Town hired a Project Manager for storm water to monitor the side streets and Tetra Tech monitored drinking water. Mr. Cote questioned how they separated the cost if one trench served both projects. Mr. Lange replied that billings identified materials and a person counted pipes and diggings. He noted the County was responsible for the water main and the Town managed the storm water side. After Tetra Tech and the Project Manager reviewed requisitions, they were forwarded to a consultant to make sure all items met the state requirements for loan financing.

Mr. Lombard clarified that both projects would cost a total of \$43 million, based upon the current documentation. Mr. Lange indicated that not all side streets had been identified and budgeted for storm water. Discussion was held regarding the storm water assessment. Mr. Lange stated that they were not running expenditures in the storm water fund, that he set up a storm water maintenance operation in the general fund to clean and maintain the drains and to repair any incidental damages.

Mr. Goggin questioned the allocation for Angie Brewer. Mr. Lange responded that it was in line with what was budgeted.

VII. UPDATED ACCOUNTING AND INTERNAL CONTROLS POLICIES AND PROCEDURES (IN PROCESS)

Mr. Lange requested that members review the information and provide input. The report will be modified to incorporate risk factors. Mr. Heiting explained that they were fine-tuning the document and the risks had not been defined. He stated that they would have to identify internal controls within the IT system and it will take a little time to fully define risk tolerances. He would like to line it up better with generally accepted standards for internal controls. Mr. Cote requested that the font be increased on the report. Mr. Goggin will work closely with Mr. Heiting and Mr. Lange. Mr. Lange noted that he was looking at a new password system. He was reviewing Information Technology contractors to perform a damage assessment for the system. Mr. Goggin suggested that they include all vulnerability points.

VIII. ADJOURN

MOTION: Mr. Lombard moved to adjourn the meeting; second by Mr. Cote.

VOTE: Motion passed unanimously.

Meeting adjourned at 10:42 a.m.

Adopted 1/25/2019 with/without changes. Motion by John Goggin
(DATE)

Vote: 3-0 Signature: John Goggin

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