Minutes
May 17, 2018
Audit Committee Meeting

A. ROLL CALL

Meeting was called to order by Chair Rideoutte at 9:40 a.m. in the Airport Office Building, 2nd Floor Conference Room, 200 Aviation Drive North, Naples. Present were Commissioner Dustin, Audit Committee member; and Commissioner Brousseau, Commissioner Lenhard, and Commissioner Messer, who all opted in. Staff and Legal Counsel present were Mr. Rozansky, Mr. Owens, Ms. Terrill, Ms. Langley, Ms. Sarcona, Ms. Vandersluis, Ms. Kidd, Ms. Snyder and Ms. Menard.

Chair Rideoutte welcomed Mr. Jeff Wolf, Chief Manager, of Moore Stephens Lovelace, CPA's and Advisors.

B. PLEDGE OF ALLEGIANCE

C. AGENDA

There were no changes to the Agenda.

D. DISCUSSION ITEM

1. Review of Audit Firm

Mr. Rozansky referenced the provisions in the Bylaws that outline procedures for the audit review. He said that the criteria for conducting the annual review was included in the Committee packet and that the Audit Committee may review the performance of Moore Stephens Lovelace in this past audit or have other discussion related to the review.

Commissioner Dustin requested Mr. Wolf to reaffirm that his firm is independent and has no other relationships. Mr. Wolf affirmed that they are independent and that part of the firm's quality control is for all professional staff to look at their client list and state that they are independent every quarter. Regarding the Authority's capital expenditure program, Mr. Wolf reaffirmed that none of the Authority's clients are clients of Moore Stephens Lovelace.

Chair Rideoutte asked Mr. Wolf for his impressions or suggestions having completed his first audit of the Authority. Mr. Wolf said it was a smooth audit process, and it was a clean audit report with no significant findings. He said that in the coming year, it will be partially a reintroduction due to the change in NAA accounting staff. He recommended the investment policy be examined in the future since that concern was raised during the audit presentation.

Commissioner Rideoutte asked Mr. Wolf to provide the procedure that would have been carried out if the management letter had not been clean. Mr. Wolf said that any time there are recommendations in the previous audit, the first thing his firm would address are the findings in that audit to report the status to the Audit Committee and/or Board. Mr. Wolf stated that they normally have pre- or post-audit meetings with the Audit Committee. There was discussion

regarding the necessity of an engagement letter in the second year, and Mr. Wolf stated that if there isn't an engagement letter, the audit firm would send another letter that outlines their responsibilities, the NAA's responsibilities and any new significant accounting and auditing standards that may be applicable during the year.

There was discussion regarding the Audit Committee's expectations to meet or at least have dialog with the audit firm before the audit begins and to see a draft report at the conclusion of the audit and before it is finalized and presented to the Board.

Regarding the criteria form that was included in the Committee packet, Commissioner Dustin stated that he reviewed the form but said the Audit Committee doesn't have enough interaction with the audit firm to be in a position to complete the form. He proposed that the form be 1) completed by the audit firm about the NAA staff; 2) completed by NAA staff about the audit firm; and submitted to the Audit Committee for review. The Audit Committee agreed that the review would be a qualitative assessment of the criteria. The Audit Committee concurred with Mr. Rozansky's request to provide the results at the August Board Meeting since staff is currently in the midst of budget preparation and updating the strategic plan.

Chair Rideoutte suggested that the audit firm look at our cash situation and make recommendations on how to handle the large cash position. Mr. Wolf said that he would consider that during the audit.

There was discussion regarding the criteria the audit firms use in determining materiality. Mr. Wolf stated that they use a 5 percent of expense or materiality rule.

Chair Rideoutte requested that the audit firm provide their impression as to whether we have communicated a strong ethics standard to staff. Mr. Wolf stated that last year, his firm felt a very strong tone of ethical behavior from NAA staff.

Mr. Rozansky added that staff was very satisfied with Moore Stephens Lovelace's work, their communication and responsiveness.

2. Audit Engagement Letter

In reference to the engagement letter, Commissioner Dustin said the letter states that there were no substantial changes and requested clarification on the actual changes. Mr. Wolf said that the only changes made were rolling forward the dates for the 2018 audit. He said that fees or any of the language in the letter did not change.

3. Special Items for Audit Firm Review

Mr. Langley said that he went back to 2004 and 2005, and there were a list of special items selected for further review. Since 2013, there have been no additional items selected for further discussion. Commissioner Dustin suggested that with the amount of spending for construction in 2018 and 2019, it may be beneficial to conduct additional auditing of construction contracts.

E. PUBLIC COMMENTS

There were no public comments.

F. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/ MEETINGS

Commissioner Brousseau asked if the potential for collusion and colluding should be added as a special item to the audit. Commissioner Messer said that it would fall under the ethics discussion. Regarding collusion, Mr. Wolfe added that whenever there are major contracts, the auditors take a look at the bids to make sure it goes through the proper bid process and will sometimes review vendor lists to verify there are no improperly made payments. He stated that part of the audit procedures is to look for fraud. He stated that anytime there is higher spending in contracts for construction, and if it meets the threshold required federal or state single audit, the audit firm will perform additional testing and greater scrutiny.

G. ADJOURN

With no further business, meeting adjourned at 10:13 a.m.

Christopher A. Rozansky
Secretary

CITY OF NAPLES AIRPORT AUTHORITY (NAA)
Board of Commissioners
Notice of Audit Committee Meeting

FINAL AGENDA

Airport Office Building, 2nd Floor Conference Room
200 Aviation Drive North
Naples, Florida

Thursday, May 17, 2018
10:30 a.m. (or Immediately Following NAA Regular Board Meeting)

Commissioner Donna M. Messer – Chair and NCC Liaison
Commissioner Michael Lenhard – Vice Chair and Consultant Selection Committee Chair
Commissioner James Rideoutte – Audit Committee Chair, Consultant Selection Committee Member
Commissioner Ted Brousseau – Legal Liaison
Commissioner Kerry C. Dustin, Audit Committee Member
Executive Director: Christopher A. Rozansky
Authority Attorney: William L. Owens, Esq. of Bond, Schoeneck & King, PLLC

Welcome. If you wish to address the Audit Committee regarding an item listed on the Agenda, please complete a Speaker Registration form and hand it to the Executive Assistant prior to consideration of that item. We ask that speakers limit comments to 5 minutes and that large groups name a spokesperson whenever possible. All written, audio-visual, and other materials distributed to the Committee or staff during this meeting will become the property of NAA and will be a public record. Thank you for your interest and participation.

NOTICE

Formal action may be taken on any item listed on the Agenda below, or added to the Agenda before or during the meeting, or discussed during the meeting without being added to the Agenda. Also, the sequence of items may be changed as the meeting progresses.

Any person who decides to appeal a decision of this Committee with respect to any matter considered at this meeting (or hearing) will need a record of the proceeding and may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be heard.

Any person with a disability requiring auxiliary aids or services in order to participate in this proceeding for meetings at the City Council Chamber may call the City Clerk's Office at 213-1015, or for meetings at the Airport Office Building, the NAA Executive Assistant's Office at 643-0733, with requests at least two business days before the meeting.

Information on Action Items and other items which has been provided in advance of this meeting may be inspected at the office of the Executive Assistant, General Aviation Terminal Building, 2nd Floor, 160 Aviation Drive North. Minutes of this meeting will be prepared for Board approval, usually at the next Regular Meeting.

A. **ROLL CALL**

B. **PLEDGE OF ALLEGIANCE**

C. **AGENDA (Add, delete or re-sequence items)**

D. **DISCUSSION ITEM**

1. Review of Audit Firm
2. Audit Engagement Letter
3. Special Items for Audit Firm Review

E. **PUBLIC COMMENTS (Public comments accepted for items not otherwise listed on the Agenda; 5 minute limit)**

F. **CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/MEETINGS**

G. **ADJOURN**

Information on Discussion Items and other items which has been provided in advance of this meeting may be inspected at the office of the Executive Assistant, General Aviation Terminal Building, 2nd Floor, 160 Aviation Drive North. Minutes of this meeting will be prepared for Board approval, usually at the next Regular Meeting.

NOTE: The Audit Committee is comprised of Commissioner James Rideoutte (Chair) and Commissioner Dustin (Member). All NAA Commissioners are welcome to attend and can "opt in" to participate.