Minutes
January 11, 2019
Audit Committee

A. ROLL CALL

Meeting was called to order by Audit Committee Chair Rideoutte at 8:30 a.m. in the Airport Office Building Conference Room. Present was Commissioner Dustin.

Staff present were Mr. Rozansky, Ms. Terrill, Mr. Warriner, Ms. Sarcona, Ms. Snyder, and Ms. Menard. Mr. Jeff Wolf, CPA, of the Authority's audit firm, Moore Stephens Lovelace CPAs & Advisors (MSL), and Mr. William Owens of Bond, Schoeneck & King PLLC, the Authority's legal counsel, were also present.

B. PLEDGE OF ALLEGIANCE

Chair Rideoutte led the Pledge of Allegiance.

C. AGENDA

Mr. Rozansky reported that were no changes to the Agenda. However, he added that in the Management Letter on pages 61-62 of the Comprehensive Annual Financial Report (CAFR) distributed in the original Committee packet, Appendix A was omitted. He said that Appendix A was distributed to Committee members in advance of the meeting, and it will be attached to the minutes.

D. DISCUSSION ITEM

1. Fiscal Year 2018 Audit and Financial Statements

Mr. Warriner, Director of Finance and Administration, made opening comments regarding Discussion Item 1. He introduced Mr. Wolf, who briefly reviewed the services and deliverables in the CAFR.

Mr. Wolf commented that in the Independent Auditor's Report on page 63 and the Report on Internal Control over Financial Reporting and on Compliance (pages 51 and 52), there were no findings noted. The auditors issued an unmodified opinion, the highest opinion that can be received (a "clean" audit).

Mr. Wolf said that the Authority met the threshold for a state single audit and in the Single Audit Report on pages 53-59; there were no findings or deficiencies noted and it was a clean report.

Mr. Wolf stated that in the Management Letter on pages 61-62 and the Appendix A handout, there was one comment noted for improvement. Although the observation is the lowest level of comment, he said it was significant enough to bring it to the Committee's attention. During the audit, Mr. Wolf noted that grant reimbursement requests were not being submitted to the State in a timely manner. He recommended that the Authority review grant expenditures monthly and prepare the reimbursement requests as needed.

Mr. Wolf reviewed the financial highlights including the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. He commented that the Authority had a strong year and the financials were consistent with the prior year.

Lastly, Mr. Wolf pointed out that beginning in FY 2021, under new Financial Accounting Standards Board (FASB) guidelines, operating leases that extend beyond 12 months will be treated as capital and captured on the balance sheet. He said that it will require effort by staff to address and implement the new standard but there will be plenty of time to do so. He added that his firm makes available to their clients eight hours of training annually and can assist in helping staff with this.

A question and answer period followed.

There was discussion regarding the Authority's net positive cash flow and the Audit Committee's suggestion last year for establishing an investment policy. Mr. Rozansky said that with the changeover in the Finance and Administration Department over the past year, the project was temporarily placed on hold. He added that with Mr. Warriner recently being hired and additional accountants joining the team soon, the investment policy will be a goal of the Finance and Administration Department for this fiscal year.

Commissioner Dustin commented that with the positive cash position, we have to be very cautious about vendor fraud particularly with the amount of construction projects underway. He added that it is important to have sufficient procedures to review vendor integrity, contractual payments and any conflicts of interest. Mr. Wolf stated that construction is considered a risk area and his firm reviews that. As an additional measure, he said a report was generated to see if any employee addresses matched any addresses in the check register.

Chair Rideoutte asked if we experienced any adverse relationships with the State or other grantors due to the delay of our grant reimbursement requests. Mr. Warriner said that he spoke with the liaison at the State of Florida Department of Transportation regarding approximately $1.2 million that we had not requested from them, and the liaison said that we are well within the period of time to request the funds. Mr. Warriner added that a package has been prepared for submittal in the amount of $800,000. From a management standpoint, Mr. Warriner said that a process is now in place to submit reimbursement requests monthly and that there will be two or three people in his department who will be trained on the process.

Mr. Warriner said Mr. Wolf and his team did a great job and were a pleasure to work with. He stated that strong controls and good processes are in place, but he intends to tighten up the processes even more.

Commissioner Dustin made a motion to recommend to the full Board at its February Regular Meeting, acceptance of the FY 2018 Audit and Financial Statements. Chair Rideoutte seconded. The motion passed 2-0.

E. PUBLIC COMMENTS

There were no public comments.

F. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/ MEETINGS

There were no additional comments and requests/meetings.

G. ADJOURN

With no further business, the meeting adjourned at 8:55 a.m.

Christopher A. Rozansky
Secretary

APPENDIX A
Current Year Observation, Recommendation and Management Response
For the Year Ended September 30, 2018

MLO-2018-001 – GRANT REIMBURSEMENT REQUESTS

Observation:
During our audit of the Authority, we noted that grant reimbursement requests were not being submitted to the State in a timely manner.

Recommendation:
We recommend that the Authority review grant expenditures monthly and prepare the reimbursement requests as needed.

Management Response:
Management agrees and has set up a process to do this on a monthly basis.

DRAFT

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

Friday, January 11, 2019
8:30 a.m.

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. Fiscal Year 2018 Audit and Financial Statements

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 Ridcoutte (Chair) and Commissioner Dustin (Member). All NAA Commissioners are welcome to attend and can "opt in" to participate.