Minutes
May 7, 2020
Audit Committee Meeting

A. ROLL CALL

Meeting was called to order telephonically by Chair Dustin at 3 p.m. Chair Dustin announced that due to the coronavirus pandemic, today's Audit Committee Meeting was being held by conference call and an audio recording will be available following the meeting.

Present telephonically were Commissioner Rideoutte, Audit Committee member; and Commissioner Lenhard, who opted in.

Staff and Legal Counsel present in the Airport Office Building (AOB), 2nd Floor Conference Room, 200 Aviation Drive North, Naples were Ms. Terrill, Mr. Owens, Mr. Warriner, Ms. Vandersluis and Ms. Menard. Staff present telephonically were Mr. Rozansky and Mr. Keith.

B. PLEDGE OF ALLEGIANCE

C. AGENDA

There were no changes to the Agenda.

Mr. Rozansky announced that Ms. Terrill would lead today's meeting.

D. DISCUSSION ITEM

1. Annual Audit Firm Review – FY 2019 Audit

Mr. Warriner provided introductory comments regarding the annual audit firm review. He noted that the annual audit firm review is a requirement of our bylaws. Mr. Warriner reported that he was pleased with how the audit was conducted, and the field work was done in record time without any issues.

Mr. Jeff Wolf, Manager of MSL, was present telephonically and commented that the FY 2019 audit went smoothly and that any situation that may have come up due to the COVID-19 pandemic did not become an issue in conducting the audit.

Commissioner Rideoutte stated that staff's appraisal of the audit firm's performance was flattering, and Commissioner Lenhard echoed those comments and congratulated MSL for a job well done.

Chair Dustin asked what the potential might be for auditing 100% of the transactions electronically and being efficient in that manner. Mr. Wolf said that there is software being developed using artificial intelligence and it is something that MSL is looking into, but the technology has not yet been made available for use.

Ms. Menard reviewed that during the third year of engagement, the Committee shall consider and recommend to the Board whether to renew the engagement with MSL or to commence a competitive selection process for the retention of auditors for the succeeding year. Based on Committee members' comments of the audit firm review, Chair Dustin requested affirmation from members to renew the engagement with MSL. There was Committee consensus to recommend to the Board to renew the engagement with MSL.

2. Audit Firm Engagement Letter – FY 2020 Audit

Mr. Warriner requested the Audit Committee's review of the FY 2020 Audit Engagement Letter and their recommendation to the Board for the Executive Director to execute the FY 2020 Audit Engagement Letter. Mr. Warriner reviewed the fees for the audit and noted that the fees are fixed in our five-year agreement with MSL as follows:

$40,500 for the Audit Fee

$2,000 for the Federal Single Audit Fee – Mr. Warriner reported that there will not be a federal single audit fee this year because we did not meet the threshold for receiving federal funds

$1,500 for the State Single Audit Fee

Mr. Warriner stated that the proposed audit engagement letter was signed by MSL and was included in the Committee packet.

Commissioner Rideoutte asked for clarification of the last sentence in the first paragraph under the heading, Audit Procedures – General, on page 3 of the Audit Engagement Letter. The sentence reads: "Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse." Mr. Wolf explained the differences of fraud vs. abuse. He provided an example of abuse vs. material fraud and noted that auditing standards do not require them to detect abuse, but they are required to detect material fraud.

Regarding the 2017 peer review report, noted in the second paragraph on page 8 of the Audit Engagement Letter, Commissioner Rideoutte asked how often those reports are scheduled and who selects the reviewing CPA firm. Mr. Wolf said that the peer review is provided every three years and that the review period will begin in the next couple of months. Mr. Wolf said that there is discussion being held to delay all peer review for one year, but MSL is hoping to move forward with it. He said that if the review does stay on schedule, it would be likely completed by November and would be sent out to all clients at that time. He said that MSL selects the firm.

Chair Dustin expressed his appreciation to Commissioner Rideoutte for raising these two points.

There was unanimous consent by the Audit Committee to recommend to the Board that the FY 2020 Audit Engagement Letter as presented be approved.

3. Special Items for Audit Firm Review

Mr. Warriner requested Committee discussion to determine if a more detailed review of any special items was necessary. He referenced the list of services provided in the past and stated that in the last five years, the Committee has not requested the auditors to conduct additional special services.

Commissioner Rideoutte requested Mr. Warriner if he recommended any special project for consideration. Mr. Warriner stated that the new IT firm that was hired late last year has been reviewing how our IT infrastructure is set up and that they are in the process of developing a long term roadmap for the NAA. He said that staff has discussed the need for MSL to evaluate if the recommended roadmap is reasonable to industry standards and provide a second opinion. There was discussion about this being a worthwhile project.

Mr. Wolf said that the IT evaluation would be outside the audit scope and a separate agreement would need to be negotiated. The Committee expressed their support for MSL's expertise and guidance in this area.

Chair Dustin stated that he had continued concern regarding the safety of our cash investments. He requested that MSL provide an analysis of the two banking institutions, Valley Bank and Northern Trust, and be prepared to comment with more depth on the safety of our investments. There was discussion regarding the two banks and the current situation in the changing economy.

Regarding the issue Chair Dustin raised about our banking institutions, Mr. Wolf stated that diversifying our cash has been discussed. He added, however, that a more detailed review of the two banks and their sustainability would be a special project. He said that that type of review is not usually done in the audit world, but rather in the financial world.

Mr. Warriner commented that staff has not made any changes since the investment policy was approved by the Board last fall because our investments were doing well in the money market accounts with Valley Bank. He said that we could take those funds out of the money market since rates will be low for a good amount of time. Mr. Warriner explained the State of Florida's guidelines for the qualified depositor program that both of our banks are included in.

Mr. Rozansky commented that when Chair Dustin first raised these questions, Mr. Warriner spoke with the City of Naples financial advisor who assisted us with our Investment Policy. At that time, the gentleman did not recommend making any changes. Chair Dustin requested staff to speak with him again and discuss his recommendation at the May Board Meeting.

There was unanimous consent for Mr. Rozansky, Ms. Terrill and Mr. Warriner to work with MSL in developing a scope and potential cost for the IT roadmap review and investigate the feasibility of reviewing the Authority's banking services for discussion at the May Regular Board meeting.

E. PUBLIC COMMENTS

There were no public comments.

F. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/ MEETINGS

There were no comments and requests/meetings.

G. ADJOURN

With no further business, meeting adjourned at 3:42 p.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, FL 34104

Thursday, May 7, 2020
3 p.m.

Commissioner Michael Lenhard – Chair and Consultant Selection Committee Member
Commissioner Kerry C. Dustin – Vice Chair and Audit Committee Chair
Commissioner Donna M. Messer – NCC Liaison
Commissioner James Rideoutte – Consultant Selection Committee Chair and Audit Committee Member
Commissioner Ted Brousseau – Legal Liaison
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. Annual Audit Firm Review – FY 2019 Audit
2. Audit Firm Engagement Letter – FY 2020 Audit
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 Dustin (Chair) and Commissioner Rideoutte (Member). All NAA Commissioners are welcome to attend and can "opt in" to participate.