June 7, 2021
Audit Committee Meeting

Meeting was called to order by Audit Committee Chair Dustin at 9:32 a.m. in the Airport Office Building Conference Room.

A. ROLL CALL

Present were Chair Dustin; Committee member, Commissioner Rideoutte; and Commissioner Ruppert, who opted in.

Staff and Authority Counsel present were Mr. Rozansky, Mr. Owens, Mr. Warriner, Ms. Sarcona, Ms. Vandersluis and Ms. Menard.

B. PLEDGE OF ALLEGIANCE

Chair Dustin led the Pledge of Allegiance.

C. AGENDA

Mr. Rozansky stated that there were no changes to the agenda.

D. DISCUSSION ITEMS

1. Annual Audit Firm Review – FY 2020 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 reviewed staff's evaluation of MSL for the FY 2020 audit which was well planned, completed timely and efficiently. He added that the field work was done in record time and done primarily remotely due to COVID without any issues. Mr. Warriner stated that Mr. Jeff Wolf, Manager of MSL, was present to answer any questions.

Regarding the audit firm's name change from Moore Stephens Lovelace to MSL, Mr. Wolf stated that there was no change in ownership. Mr. Wolf commented that he was proud of the team's work and pointed out.that an unmodified opinion, the highest opinion that can be received, was issued.

Commissioner Rideoutte noted that staff's appraisal of the audit firm's performance was good.

There was discussion regarding staff's recommendation for MSL to draft the Comprehensive Annual Financial Report for the FY 2021 audit at an additional expense of $5,000. Mr. Warriner stated that it is not unusual for audit firms to provide this service, and the goal would be to get the report completed in the December time frame instead of in the February time frame as in the past. Mr. Rozansky noted that this would free up staff time to do other projects, as the volume of transactions has significantly increased. Committee members were supportive of the recommendation.

There was discussion regarding the new Statement No.87 of the General Accounting Standards Board (GASB 87) – Leases and the effect of short term and long term leases with tenants. Mr. Wolf explained that the biggest change would be to the lessees and how they record leases on their balance sheet.

Currently leases are classified either as capital or operating. Operating leases currently are not recorded on the balance sheet, but the new rules could change this. This would affect a company's debt and financial ratios. Mr. Warriner stated that the Authority is the lessor of land and hangars and the new rules would require us to record an asset and a liability on our balance sheet.

Chair Dustin raised concern about cyber risk and steps that the Authority will take to reduce security steps. Mr. Warriner noted that we are obtaining quotes to perform an annual random penetration test to test the strength of our systems' security and identify any weaknesses in our systems or controls. Chair Dustin suggested that more frequent tests be conducted throughout the year.

2. Audit Firm Engagement Letter – FY 2021 Audit

Mr. Warriner requested the Audit Committee's review of the FY 2021 Audit Engagement Letter and Committee recommendation to the Board to authorize the Executive Director to execute the FY 2021 Audit Engagement Letter. Mr. Warriner reviewed the following fee schedule for the audit and noted that there are no changes in the fees from last year, except for the additional fee for the Comprehensive Annual Financial Report (CAFR):

$40,500 for the Audit Fee
$ 5,000 for the CAFR Preparation Fee
$ 2,000 for the Federal Single Audit Fee (if applicable)
$ 1,500 for the State Single Audit Fee (if applicable)

There was discussion about MSL's use of artificial intelligence for auditing. Mr. Wolf reported that MSL is testing a software program on a one-year trial basis and is evaluating other software applications. He noted that AI-based technology for auditing is developing and MSL is researching its capabilities.

Commissioner Rideoutte moved to recommend Board approval for the Executive Director to execute the FY 2021 Audit Firm Engagement Letter. Commissioner Ruppert seconded. Motion passed unanimously 3-0.

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 MSL performed an IT Roadmap review in FY 2021. He added that in the last five years, there have been no additional special projects requested.

Regarding Commissioner Ruppert's question regarding IT internal controls, Mr. Wolf explained that the audit firm is required to test internal controls especially to make sure those controls did not get weakened because of their client's working remotely work over the past year.

Mr. Rozansky also added that we recently implemented a new program limiting the software applications to those approved in advance by the Authority.

There was discussion on the IT side about security advancements in place for threat detection and response techniques. Commissioner Ruppert asked what the protocol was when a message comes up alerting the Authority that unusual activity has taken place. Mr. Warriner stated that IT Vantage, our IT consultant, is sent a message and they in turn notify Mr. Warriner. Vice Chair Dustin expressed concern about one person from the organization being notified and stated that multiple parties should be assigned to the incident response plan. Mr. Warriner said that the policy and procedure will be revisited to address these risks. Mr. Warriner also added that we recently implemented software that searches our network for unusual activity and are performing random IT security testing for our employees.

E. PUBLIC COMMENTS (5-minute limit)

There were none.

F. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/MEETINGS

There were no additional comments.

G. ADJOURN

With no further business, the meeting adjourned at 10:11 a.m.

Christopher A. Rozansky
Secretary

NOTE: Printed copies of all visual presentations and handouts are on file in the Executive Assistant's Office.

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

Monday, June 7, 2021
9:30 a.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 – Audit Committee Member
Commissioner Rick Ruppert - Consultant Selection Committee Chair
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 recommendation made by the Audit Committee with respect to any matter considered at this meeting may do so at the next Regular City of Naples Airport Authority Board Meeting.

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.

Actions of this committee are subject to the Florida Sunshine Law. Two or more Airport Authority Commissioners may be in attendance. Florida Statute 286.011 states, "any gathering, whether formal or casual, of two or more members of the same Board or commission to discuss some matter on which foreseeable action will be taken by the public, Board or Commission must be conducted in accordance with the Sunshine Law."

A. ROLL CALL

B. PLEDGE OF ALLEGIANCE

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

D. DISCUSSION ITEM

1. Annual Audit Firm Review – FY 2020 Audit
2. Audit Firm Engagement Letter – FY 2021 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.