



1015 Cultural Park Blvd.  
Cape Coral, FL

## **AGENDA**

### **MEETING OF THE CITY OF CAPE CORAL AUDIT COMMITTEE**

<b>July 12, 2017</b>	<b>3:00 PM</b>	<b>Conference Room 220A</b>
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**1. Meeting called to order**

A. Chair Wolfson

**2. ROLL CALL**

A. Buice, Hiatt, Sawicki, Stevens, and Wolfson

**3. APPROVAL OF MINUTES**

A. June 14, 2017 meeting minutes

**4. BUSINESS**

A. AR#74 Update

B. Audit Plan Draft

C. City Auditor Update Report

**5. Member Comments**

**6. Time and Place of Next Meeting**

A. Wednesday, August 16, 2017, 3:00 p.m. Conference Room 2006

**7. Motion to Adjourn**

In accordance with the Americans with Disabilities Act and Section of 286.26, Florida Statutes, persons with disabilities needing special accommodation to participate in this meeting should contact the Office of the City Clerk at least forty-eight (48) hours prior to the meeting. If hearing impaired, telephone the Florida Relay Service Numbers, 1-800-955-8771 (TDD) or 1-800-955-8770 (v) for assistance.

If a person decides to appeal any decision made by the Board/Commission/Committee with respect to any matter considered at such meeting or hearing, he will need a record of the proceedings, and for such purpose, he 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 based.

**Item Number: 3.A.**  
**Meeting Date: 7/12/2017**  
**Item Type: Approval of Minutes**

**AGENDA REQUEST FORM**  
CITY OF CAPE CORAL



**TITLE:**

June 14, 2017 meeting minutes

**SUMMARY:**

**ADDITIONAL INFORMATION:**

**ATTACHMENTS:**

<b>Description</b>	<b>Type</b>
▣ June 14, 2017 meeting minutes	Backup Material

**MINUTES OF THE MEETING OF THE  
CITY OF CAPE CORAL AUDIT COMMITTEE**

**Wednesday, June 14, 2017**

**CONFERENCE ROOM 2006**

**3:00 P.M.**

The meeting was called to order at 3:00 p.m. by Chair Wolfson.

ROLL CALL: Hiatt, Stevens, and Wolfson were present. Buice and Sawicki were excused.

ALSO PRESENT: Andrea Butola, City Auditor  
Victoria Bateman, Financial Services Director  
Pearl Taylor, Legislative Executive Assistant to the Mayor

**Approval of Minutes: May 10, 2017 meeting**

The minutes from the Audit Committee meeting of May 10, 2017 were presented for approval.

***Vice Chair Hiatt moved, seconded by Committee Member Stevens, to approve the minutes as presented. Voice Poll: All "ayes." Motion carried.***

**BUSINESS**

**AR #74 Draft Discussion**

City Auditor Butola discussed the draft of Administrative Regulation (AR) #74 which was sent by email to the Committee. She explained how this would strengthen the Audit Committee. She noted that all employees must abide by the AR's.

Discussion held regarding the following:

- Whether Charter School employees were City employees
- Processes for changes to AR #74
- Having the AR have a signature box for the Superintendent
- Including "reopened findings"
- Grammatical and spelling changes on the first page
- Target Completion Date and coordination with timeline of Audit Committee meetings

**City Auditor Process Changes**

City Auditor Butola discussed an HR follow up regarding the status of findings based on the testing that Assistant City Auditor Claudio completed. She found it confusing that

there was an audit report and a separate grid. She discussed rankings of findings – high/medium/low versus red/yellow/green. She proposed having a grid where you can go into SharePoint and see where their findings are. Color coding the finding will coincide with the level of effort that will be needed.

Discussion held regarding the following:

- Clearing up and not performing follow up audits will free up auditors' time and not rely so much on outsourcing
- Dropping in the management disagreement with findings
- An exit conference before releasing a report
- High/medium/low may be better than red (indicating overdue)/yellow/green

City Auditor Butola summarized her process changes: 1) change in report format and 2) changing the follow up process.

Discussion held regarding presenting the Audit Plan at the October 18<sup>th</sup> Audit Committee meeting and to Council on Monday, October 30<sup>th</sup>.

Discussion held if a motion was needed for their recommendation on AR #74.

City Auditor Butola stated she would revise it and send it to the Committee for their input.

### **City Auditor Update Report**

City Auditor Butola went over the 5/11/17 through 6/14/17 Update of City Auditor's Office Activities dated June 14, 2017 which was emailed to the Committee today and was posted online. They included the following:

- In Progress – External Auditors - Clifton Larson Allen (CLA)
  - Charter School Authority – Follow Up – Internal Funds – Clifton Larson Allen
- In Progress – Internal Staff
  - Audit of the Police Department's Seized and Forfeited Assets
  - Follow up – Human Resources
  - Follow up – Evaluation of Internal Controls – Fuel Acquisition, Monitoring, Disbursement and Usage
  - UEP North 2 Contract Labor Rates Review
  - Follow Up Timekeeping
- Other
  - Attended City Council meetings and City Manager's Director Staff meetings
  - Drafted AR #74
  - Continue to review and update CAO policies and procedures, report and memo formats
  - Begin planning for UEP contract labor rates review

- 5/11 to 6/14 – City Auditor's Office paid leave, holiday time
- FY 2017 YTD Follow Up Action Register
  - Attachment A as of June 14, 2017
- Professional Development
- Focus for the next period
- Implementation Status of Audit Report Recommendations as of 6/14/17

Discussion held regarding adding the column for management disagreements. There were no changes this month.

Discussion held about adding Target Completion Date to the Implementation Status.

Discussion held regarding changing the July meeting to one week earlier.

#### **Member Comments**

None.

#### **Time and Place of Next Meeting**

The next meeting scheduled for Wednesday, July 19, 2017, at 3:00 p.m. in Conference Room 2006 may be changed to Wednesday, July 12, 2017, at 3:00 p.m. conference room to be determined. The Committee will receive confirmation by email.

#### **Motion to Adjourn**

There being no further business, the meeting adjourned at 4:11 p.m.

Submitted by,

Barbara Kerr  
Recording Secretary

<b>Item Number:</b>	<b>4.A.</b>
<b>Meeting Date:</b>	<b>7/12/2017</b>
<b>Item Type:</b>	<b>BUSINESS</b>

**AGENDA REQUEST FORM**  
CITY OF CAPE CORAL



**TITLE:**

AR#74 Update

**SUMMARY:**

**ADDITIONAL INFORMATION:**

**ATTACHMENTS:**

<b>Description</b>	<b>Type</b>
▣ AR #74 Update	Backup Material

**ADMINISTRATIVE REGULATION****CITY OF CAPE CORAL**

Subject: Audit Finding & Recommendation Implementation Status	Effective Date: 06/01/2017 Review Date: 06/01/2019	A.R. Number 74
Applies To: All Departments	Supersedes: N/A	Page of 1 of 3

**PURPOSE:** To establish policy and procedure regarding the response and implementation status of audit findings identified by the City Auditor's Office and/or External Auditors.

**SCOPE:** All internal and external audit findings and recommendations

**POLICY:** It is the policy of the City of Cape Coral to provide timely and meaningful responses to any internal or external audit findings included in the audit report or separate management letter. Recommendations should be implemented by the responsible Contact Person in accordance with Management's Response as noted in the audit report or management letter. Recommendations should be implemented by the Target Completion Date provided by City management. Reportable Conditions are treated the same as findings and will be treated the same.

If the recommendations are not implemented within ten (10) business days after the Target Completion Date, the City Auditor will inform the Audit Committee of the non-compliance. The Audit Committee will then refer the finding and recommendation information to the City Manager for further review and action. If after referral to the City Manager, appropriate action is not taken by the Department, the Audit Committee will recommend the finding and recommendation be placed on the next City Council Regular meeting agenda to be discussed by the City Council with the City Manager and the responsible Department Director.

In the case of those findings and recommendations that failed the City Auditor validation process, a Revised Target Completion Date will be determined. If the recommendations are not implemented within ten (10) business days after the Revised Target Completion Date, the City Auditor will inform the Audit Committee of the non-compliance and the same process noted above will be followed using the Revised Target Completion Date.

**EXCEPTIONS:**

For findings that are considered Confidential and Exempt those will be handled in accordance with the Florida Statutes and no details will be released to the Public.

**DEFINITIONS**

1. Audit Report:

Issued report documenting audit background, objective, scope and methodology and findings and recommendations, if applicable.



**ADMINISTRATIVE REGULATION****CITY OF CAPE CORAL**

Subject: Audit Finding & Recommendation Implementation Status	Effective Date: 06/01/2017 Review Date: 06/01/2019	A.R. Number 74
Applies To: All Departments	Supersedes: N/A	Page of 2 of 3

2. Confidential and Exempt:

Some audit findings and recommendations may be considered confidential and exempt from disclosure under the Florida Public Records Law. Florida Statutes 281.301, 286.011, 119.07(1), 119.011(2), 119.07(3) and 24(a).

3. Findings:

Items noted during audit testing that represent opportunities for improvement. One finding can have several recommendations associated with it.

4. Recommendations:

Suggested steps for implementation that will suitably address findings noted as part of the audit.

5. Reportable Conditions:

Matters coming to the Auditor's attention relating to significant deficiencies in the design or operation of internal control that could adversely affect the organization's ability to fulfill future obligations or satisfaction of liabilities.

6. Target Completion Date:

Anticipated date for implementing recommendations and closure of finding.

7. Contact Person:

Individual in the department responsible for implementing the recommendation.

8. Management Response:

Managements response to audit findings and proposed actions for implementing recommendations to address audit findings.

9. Management Letter: Separate letter sometimes issued in addition to an audit report that contains findings and recommendations not included in the audit report.**APPROVED:** \_\_\_\_\_Andrea Butola, **City Auditor**\_\_\_\_\_  
Date**APPROVED:** \_\_\_\_\_**Charter School Superintendent**\_\_\_\_\_  
Date

# CITY OF CAPE CORAL

Subject: Audit Finding & Recommendation Implementation Status	Effective Date: 06/01/2017 Review Date: 06/01/2019	A.R. Number 74
Applies To: All Departments	Supersedes: N/A	Page of 3 of 3

**John Szerlag, City Manager**

Date \_\_\_\_\_

<b>Item Number:</b>	<b>4.B.</b>
<b>Meeting Date:</b>	<b>7/12/2017</b>
<b>Item Type:</b>	<b>BUSINESS</b>

**AGENDA REQUEST FORM**  
CITY OF CAPE CORAL



**TITLE:**

Audit Plan Draft

**SUMMARY:**

**ADDITIONAL INFORMATION:**

**ATTACHMENTS:**

<b>Description</b>	<b>Type</b>
<input type="checkbox"/> Audit Plan Draft	Backup Material



## CITY AUDITOR'S OFFICE Strategic and Audit Plan – Fiscal Year 2018

### **Vision:**

It is our vision to work in partnership with the City Council, City Management and the Community without compromising independence, objectivity or integrity with the purpose of achieving an audit product that adds value and that supports the strategic initiatives of the City.

### **Mission:**

Our mission is to use the resources of the City Auditor's Office to provide assurance and consulting services in a systematic and disciplined manner and to ensure that our services are designed to promote the effectiveness and efficiency of City operations, internal controls and governance processes.

### **Values:**

The City Auditor's Office will conduct its work with an attitude that is objective, fact-based, nonpartisan, and non-ideological. We will always maintain and protect our independence and objectivity both in fact and in appearance. This includes independence of mind when providing audits, maintaining an attitude of impartiality, having intellectual honesty, and being free of conflicts of interest.

City Auditor's Office FY 2018 - Goals and Objectives:	
Goals / Objectives	Action plan
1. Utilize the City's Strategic Plan along with our City-Wide Risk Assessment to allocate audit office resources.	<ul style="list-style-type: none"><li>• Ensure staff awareness of City strategic key initiatives, Department goals and objectives and Department Performance measurements.</li><li>• Utilize these to guide the focus of each individual audit risk assessment.</li></ul>
2. Champion the awareness and use of good governance and internal control frameworks within the City.	<ul style="list-style-type: none"><li>• Incorporate the Green Book Standards into audit findings.</li></ul>
3. Maintain a quality control process to provide assurance that all departmental output is in compliance with Generally Accepted Government Auditing Standards (GAGAS).	<ul style="list-style-type: none"><li>• Periodically review policies and procedures with staff.</li><li>• Ensure that the Policies and Procedures Manual is reviewed and updated as necessary to be in compliance with GAGAS.</li></ul>
4. Require staff to complete a minimum of 40 hours of continuing education annually as required by the GAGAS standards.	<ul style="list-style-type: none"><li>• Track all training activities to ensure compliance.</li><li>• Allocate adequate resources to support the training activities.</li></ul>
5. Transition the department to new leadership under a new City Auditor.	<ul style="list-style-type: none"><li>• Provide comprehensive on-boarding process</li><li>• New City Auditor meet with City Management, Department Directors and Mayor and Council Members to discuss plan updates and risks</li></ul>
6. Enhance office productivity by implementing the use of electronic working papers.	<ul style="list-style-type: none"><li>• Auditors will complete Lean Six Sigma training in order to lean office procedures to ensure efficient implementation of processes into electronic workpapers</li></ul>



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CITY AUDITOR'S OFFICE  
Strategic and Audit Plan – Fiscal Year 2018

Available Audit Hours:	Percentage of time available for audit work	Available Audit Hours
City Auditor	75%	1,255
1 Assistant City Auditor	80%	1,370
2 Senior Auditors	80%	$1370 + 1370 = 2,720$
Administrative Support Staff	20%	335
Total hours		5,700

The remaining hours are devoted to administrative responsibilities such as staff management, Audit Plan development, budget development and management, training and professional development, Audit Committee meetings and review of Audit Hotline



CITY AUDITOR'S OFFICE  
Strategic and Audit Plan – Fiscal Year 2018

**Proposed Annual Audit Plan - FY 2018**

Area / Focus of Audit	Projected Hours	Audit Resource
Audit Office – Self Assessment for FY 2017	80	Internal
Citywide Risk Assessment FY 19, 20 & 21	400	Internal
Human Resources – Employee Benefits	800	Internal
IT Audit – Department Risk Assessment	160	External
Public Works – Storm Water Operations	800	Internal
Utilities – Collection and Distribution	800	Internal
Administrative Review and Reporting	250	Internal
Special projects as may be requested	300	Internal
<b>Financial Audits (City, Charter School, and Pension) – FY 2017</b>		
City - External Financial CAFR Audit	40	External
Charter School – External Financial CAFR Audit	20	External
Charter School – External Internal Funds Audit	10	External
General Pension Trust Audit	30	External
Police Pension Trust Audit	30	External
Fire Pension Trust Audit	30	External
<b>Follow Up – Carry over from prior years</b>		
Follow up – Timekeeping Audit	300	Internal
Follow up – Pension Plan Census Data	300	Internal
Follow up – Special Project – Charter Schools – Compensation practices for leave-without pay	300	Internal
<b>Follow Up – new process</b>		
Follow up – TBD	525	Internal
<b>Carry over from FY 2017</b>		
City Clerk's Office - Records Management	525	Internal
Total hours	5,700	



CITY AUDITOR'S OFFICE  
Strategic and Audit Plan – Fiscal Year 2018

**Proposed Annual Audit Plan FY 2019**

Area / Focus of Audit	Projected Hours
Audit Office – Self Assessment for FY 2018	80
Community Development - Code Compliance Division	900*
Financial Services - Debt Service	500
Financial Services – Annual OPEB Costs	500
IT – Audit Parks PCI	200
Public Works – Lot Mowing	900*
City Manager- Economic Development-Contract Agreements w/ Businesses	900*
Administrative Review and Reporting	250
Special projects as may be requested	300
* Increase in audit estimated hours for full scope audits to account for transition to electronic workpapers	
<b>Financial Audits (City, Charter School, and Pension) – FY 2018</b>	
City - External Financial CAFR Audit	40
Charter School – External Financial CAFR Audit	20
Charter School – External Internal Funds Audit	10
General Pension Trust Audit	30
Police Pension Trust Audit	30
Fire Pension Trust Audit	30
<b>Follow Up – new process</b>	
Follow up – TBD	500
<b>Carry over from FY 2018</b>	
Other carry over from prior year	510
Total hours	5,700



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CITY AUDITOR'S OFFICE  
Strategic and Audit Plan – Fiscal Year 2018

**Proposed Annual Audit Plan FY 2020**

Area / Focus of Audit	Projected Hours
Audit Office – Self Assessment for FY 2019	80
Fire – Operations Division	900
Financial Services – Property Liability Insurance Fund	900
Financial Services – Workers' Compensation Insurance Fund	900
Parks and Recreation – Parks Maintenance	900
Peer Review	80
Other Audits – TBD (See Note)	1780
<b>Financial Audits (City, Charter School, and Pension) – FY 2019</b>	
City - External Financial CAFR Audit	40
Charter School – External Financial CAFR Audit	20
Charter School – External Internal Funds Audit	10
General Pension Trust Audit	30
Police Pension Trust Audit	30
Fire Pension Trust Audit	30
Total hours	5,700

Note: A three-year risk assessment for FY2019, 2020 and 2021 will be completed in FY 2018; therefore, audits included in the plan for FY2019 and 2020 are subject to change based on the new risk assessment.



<b>Item Number:</b>	<b>4.C.</b>
<b>Meeting Date:</b>	<b>7/12/2017</b>
<b>Item Type:</b>	<b>BUSINESS</b>

**AGENDA REQUEST FORM**  
CITY OF CAPE CORAL



**TITLE:**

City Auditor Update Report

**SUMMARY:**

**ADDITIONAL INFORMATION:**

**ATTACHMENTS:**

Description	Type
□ City Auditor Update Report	Backup Material



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CITY AUDITOR'S OFFICE

TO: Mayor and Council Members

FROM: Andrea R. Butola, City Auditor *aw*

DATE: July 11, 2017

SUBJECT: Update of City Auditor's Office Activities, 6/15/2017 – 7/11/2017

**In Progress – External Auditors Clifton Larson Allen (CLA):**

- Charter School Authority – Follow up – Internal Funds – Clifton Larson Allen – Follow up being performed by External Auditors: Work will begin in July/August. City Auditor reached out to Marty Redovan 6/6/2017. Relayed comments from prior meeting and have not been provided with any updates from CLA.

**In Progress – Internal Staff:**

- Audit of the Police Department's Seized and Forfeited Assets – Internal Staff: In progress. *Anticipated completion end of July.*
- Follow up- Pension census data- Internal Staff: Start end of July. *Anticipated completion end of August.*
- Follow up – Human Resources – Internal Staff: In progress. *Anticipated completion end of July.*
- Follow up – Evaluation of Internal Controls - Fuel Acquisition, Monitoring, Disbursement and Usage – Internal Staff: In progress. *Anticipated completion mid-August.*
- Follow up – Evaluation of Internal Controls - Parts Acquisition, Monitoring, Disbursement and Usage – Internal Staff: In progress. *Anticipated completion end of August.*
- UEP North 2 Contract Labor Rates Review – Internal Staff: In progress. *Anticipated completion end of July.*
- Follow up – Timekeeping – Internal Staff: Placed on hold start until the fall of 2017.

## Other

- Attended City Council meetings and City Manager's Director Staff meetings.
- AR #74 draft has been forwarded to the CM for discussion. Anticipate presenting to future Director's meeting prior to circulation.
- Completed review of DCD Matrix consulting report and provided recommendations for implementation
- Continue to review and update CAO policies and procedures, report, and memo formats.
- Perform testing for UEP contract labor rates review.
- City Auditor, Assistant City Auditor, and Senior Auditor completed 4 FEMA self-study courses (12 hours) regarding Incident Command System (ICS), National Incident Management System (NIMS) and National Response Framework (NRF) required for EOC preparedness
- Draft Audit Plan – Fiscal Year 2018.
- City Auditor, Assistant City Auditor, and Senior Auditor attended two and half day training IC 300 Intermediate ICS for Expanding Incidents for EOC preparedness
- During the period 6/15 – 7/11, the City Auditor's Office staff had paid leave and holiday time accordingly: 8 hours – City Auditor, 8 hours – Assistant City Auditor, 8 hours – Senior Auditor, 8 hours – Senior Auditor, 16 hours – Senior Administrative Specialist.

## FY 2017 YTD Follow Up Action Register:

See Attachment A as of July 11, 2017

## Professional Development:

Department staff attended the following training webinars and seminars during this period. Audit standards require all members of the audit staff to achieve continuing education credits each year.

Training program	Sponsor	City Auditor	Assistant City Auditor	Senior Auditor	Senior Auditor	Admin Support Staff
The Performance Auditing Process Part 3 of 4	ACGA			2	2	
The Performance Auditing Process Part 4 of 4	ACGA			2	2	
Lean Six Sigma Overview for Internal Auditors	IIA		1			
Lean Six Sigma Tools for Internal Audit Planning – Session 1	IIA	4	4			
Managing Multiple Projects, Competing Priorities & Tight Deadlines	National Seminars					6
Assertiveness Skills for Business Professionals	National Seminars					6
<b>Total CPE's earned (hours)</b>		<b>4</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>12</b>

### **Focus for the next period**

The City Auditor and staff:

- Internal staff will:
  - Continue ongoing work on follow up for prior audits performed.
  - Complete Lean Six Sigma for Audit Planning training
  - Continue work on audits in progress.
- Continue tracking of the follow up action items.

If you have any questions or comments regarding this memo or any other matter in which this office may be of assistance, please contact me at 242-3380 or by email at [AButola@CapeCoral.net](mailto:AButola@CapeCoral.net).

Attachment

C: John Szerlag, City Manager  
Michael Ilczyszyn, Assistant City Manager  
Dolores Menendez, City Attorney  
Rebecca van Deutekom, City Clerk  
Audit Committee

City of Cape Coral  
City Auditor's Office  
Implementation Status of Audit Report Recommendations

**FY 2017  
Attachment A**

		As of 07/11/17			
Report Issue Date	Original number of recommendations	Mgmt has reported that item is complete.	Audit Office has verified that recommendation has been implemented or closed.	Recommendations pending implementation and/or Audit Office Verification	
Evaluation of Internal Controls – Fuel and Parts Acquisition, Monitoring, Disbursement and Usage ##	9/23/2014	61	30	0	61
Pension Census Data Consulting Engagement	7/9/2015	3	0	0	3
Timekeeping Audit	9/16/2015	14	14	0	14
Human Resources Department Audit	2/24/2016	11	0	0	11
Special Project - Charter Schools - Compensation practices for leave-without pay	7/19/2016	6	4	0	6
Prior Year Open Reports - Action Items		95	48	0	95
CAFR Charter School FY16	10/13/2016	6	0	0	6
Self Assessment FY14, FY15 and FY16	10/21/2016	1	1	1	0
Peer Review	1/13/2017	3	3	3	0
Charter School - Internal Funds Audit	2/21/2017	21	0	0	21
Public Works - Road Resurfacing Contracts Audit	3/2/2017	5	0	0	5
Utilities - Capital Project - Contract Audit	3/3/2017	5	0	0	5
Police Annual Review of Property & Evidence Procedures 2016	3/30/2017	1	0	0	1
Financial Audit - Municipal General Retirement Plan	3/30/2017	3	0	0	3
Financial Audit - Municipal Police Officers' Retirement Plan	3/30/2017	2	0	0	2
Financial Audit - Municipal Firefighters' Retirement Plan	3/30/2017	2	0	0	2
FY 2017 - Action Items		49	4	4	45
Total		144	52	4	140

**## 45 total findings that resulted in 61 recommendations**

Prepared by: A. Butola

Updated by: D. Fuhrmann