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

FINAL AGENDA

General Aviation Terminal - Larson Conference Room, 2nd Floor
160 Aviation Drive North
Naples, FL 34102

Tuesday, April 11, 2023
1 p.m.

Commissioner Kerry C. Dustin – Chair
Commissioner Rick Ruppert – Vice Chair, Consultant Selection Committee Chair, Audit Committee Member
Commissioner Rita Cuddihy – NCC and TAC Liaison
Commissioner Robert P. Burns – Consultant Selection Committee Member, Audit Committee Member
Commissioner Terrence W. Cavanaugh – Audit 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 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. PUBLIC COMMENTS (Public comments accepted for items not otherwise listed on the Agenda; 5 minute limit)

E. DISCUSSION ITEM

1. Annual Audit Firm Review – FY 2022 Audit
2. Audit Firm Engagement Letter – FY 2023 Audit
3. Special Items for Audit Firm Review

F. NEW BUSINESS

G. PUBLIC COMMENTS

H. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/MEETINGS

1. Upcoming Audit Committee Meetings

I. 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 Cavanaugh (Chair), Commissioner Ruppert and Commissioner Burns (Members). All NAA Commissioners are welcome to attend and can "opt in" to participate.

To: Honorable Chair and Audit Committee Members

From: Christopher A. Rozansky, Executive Director

By: Ken Warriner, Director of Finance and Administration

Meeting Date: April 11, 2023

Re: **DISCUSSION ITEM**

1. Annual Audit Firm Review – FY 2022 Audit

SUMMARY: Board discussion regarding the annual performance review of the audit firm, MSL for FY 2022.

BACKGROUND: In accordance with the City of Naples Airport Authority's Bylaws, Article V – Financial Matters, Section 3, Audit, there shall be an annual audit of the accounts and records of the Authority by a firm of certified public accountants, who shall act as the Authority's auditors ("the Auditors"). During each year of engagement, the Board shall consider and decide whether to renew the engagement with the current Auditors or to commence a competitive selection process for the retention of Auditors for the succeeding year in accordance with applicable law. Whenever the Board elects to utilize the competitive selection process, the current Auditors shall be eligible to compete in the process. The Auditors shall report to and be reviewed annually by the Board to assess their performance and accomplishments.

MSL has provided auditing services since FY 2017. Mr. Jeff Wolf, Shareholder, has been in charge of the audit services provided to the Authority.

The criteria for the performance review were developed by the Audit Committee in prior years. The performance review completed by NAA staff for the FY 2022 audit period is as follows:

Results - Quality, Quantity and Timeliness of Work Product

1. **Annual Audit -** MSL performed the audit timely and efficiently. A portion of the audit work was done remotely in the summer, and the remainder was completed by the end of October (a month after fiscal year end).

2. **Financial Statements** – MSL drafted the Annual Comprehensive Financial Report with input from Authority staff. They made changes submitted by the staff to the financial report promptly.

3. **Compliance Assistance** - MSL staff are knowledgeable of the accounting guidance and Florida/Federal grant guidelines that apply to the Authority. They also provide free continuing education on accounting topics for Authority staff.

4. **Special Projects (as assigned by Staff or Board, as appropriate) –** MSL and their IT team performed an IT Penetration Test with an independent consultant specializing in IT services. They provided valuable recommendations, which we mitigated, and we are planning to engage them to do another test for FY 2023.

5. **General Staff and Board Assistance** – MSL has helped provide guidance on the implementation of GASB 87 (Leases).

Process - Efficiency and Effectiveness of Producing the Work Product Including the Impact on Staff and Board Results and Processes

1. **Anticipation and planning of tasks** - The audit was well planned and went according to schedule.

2. **Responsiveness to tasks (timeliness, scope, on point, etc.)** - Jeff Wolf, MSL audit shareholder, did an excellent job coordinating with the Finance Department staff and was very responsive in providing comments on the Annual Comprehensive Financial Report.

3. **Initiative** - MSL staff reviewed internal controls for preventing fraudulent transactions. They found our internal controls were strong in preventing possible fraud.

4. **Adding extra value (e.g. re-defining tasks, creativeness)** - Mr. Wolf provided guidance on GASB Statement No. 87 of the General Accounting Standards Board (GASB 87) – Leases, which was effective this fiscal year.

5. **Communications (ability to explain compliance requirements, GAAP requirements, etc. to Staff, Board and public in an understandable and concise manner)** - MSL staff has done an excellent job explaining matters to Authority staff, management and the Board of Commissioners.

6. **Efficiency (good use of staff time, appropriately skilled people)** - The MSL staff assigned to our audit possessed the appropriate skills and knowledge required and worked efficiently with the Authority's Finance team. MSL provided a list of items needed and a portal for Authority staff to upload the requested information and documents. Regular meetings ensured items were needed and/or issues were addressed.

7. **Effectiveness** - MSL effectively completed the audit on time with minimal disruption to NAA staff.

To: Honorable Chair and Audit Committee Members

From: Christopher A. Rozansky, Executive Director

By: Ken Warriner, Senior Director of Finance and Administration

Meeting Date: April 11, 2023

Re: **DISCUSSION ITEM**

2. **Audit Firm Engagement Letter – FY 2023 Audit**

SUMMARY: To review and make a recommendation regarding the engagement letter between the City of Naples Airport Authority and MSL.

BACKGROUND: The firm, MSL, will provide audit services to the Authority, and Mr. Jeff Wolf, Audit Shareholder, will oversee the audit services. There are no substantial changes in the engagement letter compared to the prior year. The document has been forwarded to Authority Counsel for review.

COMMUNICATIONS PLAN: Not applicable.

FINANCIAL IMPACT: Fees for the fiscal year 2023 audit are as follows:

$ 43,000 for the Audit Fee,
$ 5,000 for the Comprehensive Annual Financial Report Preparation Fee
$ 2,000 for the Federal Single Audit Fee (if applicable)
$ 1,500 for the State Single Audit Fee (if applicable)

There are no increases in audit fees from last year. Any additional services requested by the Authority in the form of special reviews of specified operational or financial functions will be additional and will be negotiated prior to the commencement of the additional assignment.

MSL
CPAs & ADVISORS

March 22, 2023

VIA EMAIL

To the Board of Commissioners and
the Executive Director
City of Naples Airport Authority
160 Aviation Drive North
Naples, FL 34104

We are pleased to confirm our understanding of the services we are to provide the City of Naples Airport Authority (the "Authority") for the year ending September 30, 2023. This agreement can be renewed annually upon mutual written agreement.

AUDIT SCOPE AND OBJECTIVES

We will audit the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority as of and for the year ending September 30, 2023. Accounting standards generally accepted in the United States of America ("GAAP") provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement the Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America ("GAAS"). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis

We have also been engaged to report on supplementary information other than RSI that accompanies the Authority's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

1. Schedule of expenditures of federal awards and state financial assistance (if applicable)

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information:

1) Introductory section
2) Statistical section

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP, and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objective also includes reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs/projects and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal/state awards that could have a direct and material effect on each major program/project in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) (if applicable) and the Florida Single Audit Act (if applicable).

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND SINGLE AUDIT

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996 (if applicable); the provisions of the Uniform Guidance; the Florida Single Audit Act (if applicable); and the *Rules of the Auditor General;* and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such an opinion. As part of an audit in accordance with GAAS and *Government Auditing Standards,* we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Authority or to acts by management or employees acting on behalf of the Authority.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an

audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement, if applicable.

We have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Cash and investments
- Aviation fuel sales
- Capital contributions

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of financial statements does not relieve you of your responsibilities.

We will also issue a written Management Letter, as required by Chapter 10.550, *Rules of the Auditor General for Local Governmental Entity Audits,* upon completion of the audit.

Examination Objective

The objective of our examination is the expression of an opinion about whether your investments were authorized by law, and, if applicable, in accordance with your investment policy based on the requirements of Section 218.415, Florida Statutes. Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants ("AICPA") and will include tests of your records and other procedures we consider necessary to enable us to express such an opinion.

AUDIT PROCEDURES – INTERNAL CONTROLS

We will obtain an understanding of the Authority and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to

preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance and the Florida Single Audit Act, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with the compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance and the Florida Single Audit Act.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards,* the Uniform Guidance and the Florida Single Audit Act.

AUDIT PROCEDURES - COMPLIANCE

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards.*

The Uniform Guidance and the Florida Single Audit Act require that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal and state awards applicable to major programs/projects. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB and Florida's Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Authority's major programs. The purpose of these procedures will be to express an opinion on the Authority's compliance with requirements applicable to each of its major programs and state projects in our report on compliance issued pursuant to the Uniform Guidance and the Florida Single Audit Act.

OTHER SERVICES

We will also assist in preparing the financial statements and related notes of the Authority in conformity with GAAP based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards.* We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS AND SINGLE AUDIT

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal and state awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems

designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the fair presentation of the financial statements, schedule of expenditures of federal awards and state financial assistance, and all accompanying information in conformity GAAP; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance and Florida Single Audit Act; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; schedule of expenditures of federal awards and state financial assistance; federal/state award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Authority involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Authority complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance and Florida Single Audit Act, it is management's responsibility to evaluate and monitor noncompliance with federal/state statutes, regulations, and the terms and conditions of federal/state awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review at the start of audit fieldwork.

You are responsible for identifying all federal/state awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards and state financial assistance (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards and state financial assistance in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal awards and state financial assistance. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards and state financial assistance that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards and state financial assistance

in accordance with the Uniform Guidance and the Florida Single Audit Act; (2) you believe the schedule of expenditures of federal awards and state financial assistance, including its form and content, is stated fairly in accordance with the Uniform Guidance and the Florida Single Audit Act; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards and state financial assistance.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

ENGAGEMENT ADMINISTRATION, FEES, AND OTHER

We understand that your employees will prepare all confirmations that we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan), along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to the Authority; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of MSL and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the U.S. Department of Transportation or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under supervision of MSL personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We anticipate the audit schedule to be as follows:

Interim fieldwork – July 2023

Year-end fieldwork – October 2023

Draft audit reports to Audit Committee – January 2024

Present reports to Board of Commissioners – February 2024

Jeff Wolf is the engagement shareholder and is responsible for supervising the engagement and signing the reports.

Our fee for these services will be at our standard hourly rates, plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.), except that we agree that our gross fee, including all out-of-pocket costs and other expenses, will not exceed the following:

Fiscal Year Ending	Audit Fee	FS Prep Fee	Federal Single Audit Fee	State Single Audit Fee
September 30, 2023	$ 43,000	$ 5,000	$ 2,000	$ 1,500

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 45 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

REPORTING

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the governing board of the Authority. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

LAW - This agreement will be interpreted in accordance with Florida laws and the terms and conditions as required by the Florida Board of Accountancy, where applicable.

You agree that our maximum liability to you for any negligent errors or omissions committed by us in the performance of the engagement will be limited to three times the amount of our fees for this engagement, except to the extent determined to result from our gross negligence or willful misconduct.

We will provide copies of our reports to the Authority; however, management is responsible for distribution of the reports and financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement will be retained for a minimum of five (5) years after the report release date or for any additional period requested by the U.S. Department of Transportation. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We do not waive any rights or privileges granted under federal or state laws, statutes, or regulations with regard to client/accountant privileges.

MEDIATION - Parties to this engagement agree that any dispute that may arise regarding the meaning, performance, or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation upon the written request of any party to the engagement. In the event that the parties cannot agree to a mediator, each will choose one and the two will choose a third, who will serve as sole mediator. The results of this mediation shall be binding only upon agreement of each party to be bound. Costs of any mediation proceeding shall be shared equally by both parties.

TERM - This engagement is for a limited period of time and is further limited by scope. Any other services performed on your behalf shall be by separate agreement. Our audit engagement ends on delivery of our report. Any follow-up services will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service. You agree that any claim arising out of this engagement letter shall be commenced within one (1) year of the delivery of the work product to you, regardless of any longer period of time for commencing such claim as may be set by law. A claim is understood to be a demand for money or services, the service of a suit, or the institution of arbitration proceedings against MSL.

If at any time during the engagement, you fail to make prompt payments or cooperate with the staff performing this engagement, we reserve the right to suspend performance until such time as payment is made or cooperation resumes. Our engagement to serve as your independent auditor is contingent upon the results obtained from our client acceptance and continuance due diligence procedures. In the event circumstances arise that cause us to believe that we can no longer adequately meet our obligations, or if we believe that continued performance would require us to compromise our ethical standards, we reserve the right to immediately suspend or terminate this contract. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You understand that if this contract is suspended or terminated, reports or documents may not be prepared timely and you agree to hold MSL and its employees harmless for any damages suffered. In no event will our Firm be liable for incidental or consequential damages, even if we have been advised of the possibility of such damages.

NON-SOLICITATION - Your management and MSL acknowledge the importance of retaining key personnel. Accordingly, both parties agree that during the period of this agreement and for one year after its expiration or termination, neither party will (a) solicit any shareholder/partner or employee of the other party for employment, or (b) employ any person who was a shareholder/partner or employee of the other party within four (4) months after the termination of their employment with the other party for any reason, without the advance written consent of the other party. In any case, if the individual becomes an employee of the other party within the non-solicitation period in violation of the foregoing, the other party agrees to pay the original employer a fee equal to 40 percent (40%) of the individual's annual compensation for the prior full twelve-month period of their prior employment. The fee is due thirty (30) days after the individual becomes an employee of the other party.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our most recent peer review accompanies this letter.

If the services and terms outlined above are in accordance with your understanding, please sign this letter and return it to us, so that we can schedule your work.

We appreciate the opportunity to be of service to the Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign this copy and return a digital copy to us.

Very truly yours,

MSL, P.A.

cf
Attachment

RESPONSE:

This letter correctly sets forth the understanding of the City of Naples Airport Authority.

Management signature: _____

Title: _____

Date: _____

Postlethwaite & Netterville

8550 United Plaza Blvd., Ste. 1001 – Baton Rouge, LA 70809
225-922-4600 Phone – 225-922-4611 Fax – pncpa.com

A Professional Accounting Corporation

Report on the Firm's System of Quality Control

To the Partners of MSL, P.A.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of MSL, P.A. (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, and an audit of a broker-dealer.

As part of our peer review, we considered reviews by regulatory entities as communicated to the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of MSL P.A. applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. MSL, P.A. has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 7, 2021

To: Honorable Chair and Audit Committee Members

From: Christopher A. Rozansky, Executive Director

By: Ken Warriner, Senior Director of Finance and Administration

Meeting Date: April 11, 2023

Re: **DISCUSSION ITEM**

3. Special Items for Audit Firm Review

SUMMARY: Committee discussion for special additional services by the audit firm.

BACKGROUND: Each year prior to final audit fieldwork, the Audit Committee meets with representatives of the Authority's audit firm and staff concerning the annual audit. This meeting provides an opportunity to discuss the audit process and to request a more detailed review of specific areas. Past examples of items the auditors have reviewed include:

- Information Technology Roadmap
- IT Penetration Testing
- Rental Car Concession Agreements
- Cost of Fuel Analysis, Tenant Fueling
- Cash Handling and Cash Management Procedure
- Payroll Recordkeeping
- Intangible Assets, Procedures for Recording Capital Assets, Capital Asset Schedule Review (Write Off of Certain Capital Assets),
- Investment Policy
- Internal Control Procedures

MSL will perform an IT Penetration test and do an in-depth internal control review in FY 2023. They performed an IT Penetration test and Information Technology Roadmap review in FY 2022.

COMMUNICATIONS PLAN: Not applicable.

FINANCIAL IMPACT: Not applicable.