Minutes - Corrected
May 10, 2022
Audit Committee

A. ROLL CALL

Meeting was called to order by Audit Committee Chair Cuddihy at 2:01 p.m. in the Airport Office Building Conference Room. Also present were Committee members, Commissioner Lenhard and Commissioner Ruppert.

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

B. PLEDGE OF ALLEGIANCE

Chair Cuddihy led the Pledge of Allegiance.

C. AGENDA

Mr. Warriner reported that were no changes to the Agenda.

D. PUBLIC COMMENTS (Public comments accepted for items not otherwise listed on the Agenda; 5 minute limit)

There were no public comments.

E. DISCUSSION ITEM

1. Annual Audit Firm Review – FY 2021 Audit

Mr. Warriner, Senior Director of Finance and Administration, made opening comments regarding the annual audit firm review for the FY 2021 Audit and stated that Mr. Jeff Wolf of the Authority's audit firm, MSL, P.A., was present today. Mr. Warriner said that this was the fifth year that MSL conducted the audit, and the criteria for the performance review was developed by the Audit Committee in prior years. Mr. Warriner reviewed the performance review that was completed by NAA staff for this past year's audit period. He provided a positive review on their quality, quantity, and timeliness of their work product as well as the efficiency and effectiveness of producing it.

Commissioner Lenhard asked Mr. Warriner to elaborate on the IT roadmap for this next coming year. Mr. Warriner said that we have laid out the roadmap for the next few years and update it as projects are completed. He said that MSL reviews the updates from an independent, third-party standpoint. He added that MSL works with other clients that are public entities and have knowledge of hot topics. Mr. Wolf said that initially the Authority's vendor, ITVantage, was

leading the roadmap, and it was a good decision to have a second set of eyes look at it to make sure what they were suggesting was in the best interest of the Authority and not just for themselves.

Realizing that it is standard practice for audit firms to provide consulting, financial reporting services and auditing services, Commissioner Ruppert asked how MSL separates any potential conflicts in creating the financial report and then auditing the financial report. Mr. Wolf explained that government auditing standards are the most stringent for that and in 2018, there was a change to the GAO's Yellow Book putting in more safeguards. He said that MSL prepares the financial report with information provided by NAA staff and that their management is reviewing and providing feedback. He said MSL also uses an independent Professional Services Reviewer that isn't part of the audit process to review the financial statements, and this prevents the risk of auditing your own work.

2. Audit Firm Engagement Letter – FY 2022 Audit

Mr. Warriner stated that a few months ago, changes were made to the Authority's Bylaws regarding the requirement to go through the Request for Proposal process for audit firm services every five years. He said that the change leaves the decision to go through the bid process up to the Audit Committee and Board of Commissioners. Staff was recommending to continue the engagement with MSL for the FY 2022 audit. He said that Mr. Wolf has been in charge of our audits since 2017. He requested Committee review and recommendation regarding the Engagement Letter. He added that the Engagement Letter has been reviewed by Authority Counsel.

Mr. Warriner reported that the audit fees increased by 6%, or $2,500, for FY 2022 and that this was the first increase in fees since 2017.

In response to Commissioner Ruppert's question regarding MSL's experience with allegations of fraud, Mr. Wolf stated that there have been no instances that have occurred at the Authority, but they have had allegations of fraud communicated during fraud inquiry meetings with other clients. He said that they try and meet with different people every year during their audit process but most times it doesn't lead to any fraud. He said that sometimes fraud isn't internal, rather it can be by an outside perpetrator and their process would be to make sure the Board was aware of it and then they would look at the internal controls that caused it. If the fraud was done by someone internally, MSL would find out who knew about it and look at the control issues.

Chair Cuddihy asked how the Engagement Letter differs from last year's Engagement Letter. Mr. Wolf stated that it was essentially the same with the exception of the fee increase and that a sentence was changed to note that the Engagement Letter could be renewed by mutual agreement by both parties. Mr. Owens said that his firm reviewed it and that Mr. Wolf was correct in his statement of what has changed from the previous year's Letter.

3. Special Items for Review

Mr. Warriner requested Committee discussion for special additional services for review by the audit firm. He highlighted examples of items that the auditors have reviewed in the past.

Commissioner Ruppert expressed concern about our breadth of staff as it pertains to IT issues and commented that MSL assisted with the penetration testing. He added, however, that he did not have a specific request in this area.

There was discussion regarding the list of services provided in the past, and other than the Information Technology roadmap, Mr. Wolf said that his firm has not performed any of the other services.

Chair Cuddihy asked staff and Mr. Wolf if there was a recommendation to add a special item for review. Mr. Warriner stated that we are about to make a financial system change and historical information will be transferred to the new system. The changeover would not occur for another six to nine months and a separate agreement could be made after the system is put in place.

Mr. Wolf stated that staff does a good job when it comes to internal controls, and he couldn't think of anything for review at this time.

There was discussion regarding a review of internal controls. Chair Cuddihy stated that she talked about this with Mr. Rozansky, and he thought it would be worthwhile. Mr. Warriner said that as part of a new financial system, procedures can change with it after a system is implemented. Shortly after the annual audit, he said that staff may make internal procedure changes to more closely align with how we want the new system to work. That would be the time to add a special review in a separate agreement.

Commissioner Cuddihy requested discussion regarding the Committee's interest to rotate the audit team members in order to have different sets of eyes on the engagement. Mr. Wolf stated that they have rotated two different engagement partners, and if there was a desire to rotate himself or other staff off, that could be arranged. Commissioner Ruppert thought that was an interesting idea and stated that it was not a reflection of Mr. Wolf but would be done to keep the bar high. Mr. Warriner said that under Mr. Wolf's direction, the MSL staff has changed so there have been different people conducting the audit process.

Chair Cuddihy asked staff to provide the Audit Committee members the following:

1) A timetable for the financial system implementation.
2) A schedule for the right time to add an internal control review of our new financial system by MSL.

3) Staff's recommendation when to bring in, if at all, another set of eyes from the same firm to look at our engagement or internal controls.

Commissioner Ruppert moved to recommend Board approval for the Executive Director to execute the FY 2022 Audit Firm Engagement Letter. Commissioner Lenhard seconded. Motion passed unanimously 3-0.

F. NEW BUSINESS

There was no new business.

G. PUBLIC COMMENTS

There were no public comments.

H. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/ MEETINGS

There were no additional correspondence/comments and requests/meetings.

I. ADJOURN

With no further business, the meeting adjourned at 2:32 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 34102

Tuesday, May 10, 2022
2 p.m.

Commissioner Kerry C. Dustin – Chair
Commissioner Rick Ruppert – Vice Chair, Consultant Selection Committee Chair, Audit Committee Member
Commissioner Donna M. Messer – NCC and TAC Liaison
Commissioner Michael Lenhard – Audit Committee and Consultant Selection Committee Member
Commissioner Cuddihy – 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 2021 Audit
2. Audit Firm Engagement Letter – FY 2022 Audit
3. Special Items for Audit Firm Review

F. NEW BUSINESS

G. PUBLIC COMMENTS

H. CORRESPONDENCE/COMMISSIONER COMMENTS & REQUESTS/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 Cuddihy (Chair), Commissioner Lenhard and Commissioner Ruppert (Members). All NAA Commissioners are welcome to attend and can "opt in" to participate.