



Item No. 17a

AGENDA ITEM MEMORADUM

Finance

Tony Bryan, Finance Director

Department

Department Director

COMMISSION MEETING DATE (*) - 7:00 PM		Deadline to Town Clerk
<input checked="" type="checkbox"/>	Oct 11, 2011	Sept 30th
<input type="checkbox"/>	Oct 25, 2011	Oct 14th
<input type="checkbox"/>	Nov 8, 2011	Oct 28 th
<input type="checkbox"/>	Nov 29, 2011	Nov 10 th
<input type="checkbox"/>	Dec 13, 2011	Dec 2 nd

*Subject to Change

- Presentation Reports Consent Ordinance
 Resolution Quasi-Judicial Old Business New Business

FY2011 DESIGNATED HIGH PRIORITY ITEM - PRIORITY TOPIC

SUBJECT TITLE: Issuance of RFP for Banking Services

EXPLANATION:

During the October 6, 2011 Audit Committee meeting, while reviewing the auditor's discussion of the Town's notes payable in the 2010 CAFR, one of the members of the Committee inquired as to whether there was a pre-payment penalty provision associated with the outstanding loan to SunTrust. Staff informed the Committee member that there is a pre-payment penalty and, under the direction of the Town Commission, staff negotiated a discount on the pre-payment penalty whereby SunTrust has agreed to waive the penalty on pre-payments of up to 15% of the outstanding balance of the loan each calendar year.

After some discussion about whether SunTrust's offering was competitive, the Audit Committee voted to recommend that the Town Commission direct staff to issue an RFP for the Town's banking services.

RECOMMENDATION:

It is staff's recommendation that this be done in the spring of 2012, after the audit and before budget preparation begins.

EXHIBITS:

DRAFT Minutes of the Oct. 6, 2011 meeting of the Audit Committee of the Town of Lauderdale-by-the-Sea

Reviewed by Town Attorney
 Yes No

Town Manager Initials CB

TOWN OF LAUDERDALE-BY-THE-SEA

AUDIT COMMITTEE MEETING RESOLUTION OF PRIOR YEAR FINDINGS

**JARVIS HALL
4505 Ocean Drive
Thursday, October 6, 2011
11:00 A.M.**

1. CALL TO ORDER

Ben Freeny called the meeting to order at 11:15 a.m. Also present were Committee member - John Oughton, Finance Director - Tony Bryan, and Accountant - Edner Saint-Jean.

2. RESOLUTION OF PRIOR YEAR FINDINGS

- a) ACCOUNTING**
- b) NOT MAINTAINING FIXED ASSET SCHEDULES**
- c) INCORRECT PAYOUT TO TERMINATED EMPLOYEE**
- d) PAYROLL CONTROLS**

Finance Director, Tony Bryan gave a brief overview of 2010 audit findings and discussed the steps that had been taken by staff to address each finding, including:

- Reconciling cash accounts monthly
- Not backdating checks,
- Recording liabilities and expenditures in the proper reporting periods,
- Researching discrepancies between fixed asset account balances recorded in the general ledger and the CAFR, and booking the appropriate correcting entries.
- Maintaining fixed asset schedules monthly, and
- Reviewing employee timesheets prior to processing payroll.

The Finance Director provided summaries showing how the adjusted general ledger balances as of September 30, 2009 and September 30, 2010 compared to the 2010 CAFR to show that the discrepancies had been resolved.

In addition to the work that was done by staff to address the issue that was identified in the CAFR related to fixed-assets, staff also prepared a high-level comparison of the total fund balances in the general ledger to the CAFR. That reconciliation showed the following:

Audit Committee Meeting
October 6, 2011

- The General Fund Balance as per the general ledger was approximately \$37,000 less than what is reported in the CAFR. Given that the issues pertaining to fixed-assets had been addressed, staff surmised that the discrepancy was related to another financial statement line item.
- A difference of \$120,000 between the general ledger and the CAFR which appears to be related to the Town's liability associated for compensated absences (e.g., vacation and sick-leave).

Both of these differences were identified the evening prior and as of the time of the meeting staff was unable to research and / or address either of these discrepancies.

Mr. Oughton requested that staff consider the possibility of fraud when researching the discrepancies. The Finance Director said that he will look into it and provide an answer.

Mr. Oughton inquired regarding whether there is a pre-payment penalty associated with the outstanding loan to SunTrust. Mr. Bryan indicated that there is a pre-payment penalty and that staff recently negotiated an agreement with SunTrust that allows the Town to pre-pay up to 15% of the outstanding balance of the loan each calendar year without penalty. Mr. Freeny made a motion that the Audit Committee make a recommendation to the Town Commission to have staff issue an RFP for the Town's banking services. The motion passed 2-0.

Mr. Oughton inquired about exactly what the \$389,500 of net revenues on page 32 of the CAFR. Mr. Bryan indicated that he would research it and return with a response.

Mr. Freeny inquired about Mr. Bryan's thoughts regarding the Town's Accounting Software? Mr. Bryan indicated that he recently identified a "bug" in the system whereby the system generates false "over budget" alerts. Mr. Bryan indicated that the "bug" is being addressed by the software manufacturer and otherwise the system was sufficient.

Mr. Freeny inquired as to whether there were any other concerns related to the accounting process and Mr. Bryan indicated that that the Town's capitalization threshold for capital outlay (i.e., furniture, machinery, and equipment) is currently \$2,000 whereas the Government Finance Officers Association (GFOA) recommends \$5,000. Mr. Freeny made a motion to request that the Town Commission increase the Town's capitalization threshold for capital outlay to \$5,000 consistent the GFOA best practices. The motion passed 2-0.

3. ADJOURNMENT

With no further business before the Audit Committee, the meeting was adjourned at 12:30 p.m.

DRAFT