CITY OF OPA-LOCKA
"The Great City"

CLERK'S ACTION SUMMARY MINUTES
Joint Audit Workshop
Tuesday, February 9, 2021
5:30 p.m.

1. WELCOME/OPENING REMARKS:

Mayor Matthew Pigatt called the Workshop to order at 5:30 PM on Tuesday, February 9, 2021, at Sherbondy Village Auditorium, 215 Perviz Avenue, Opa-locka, Florida.

In his opening remarks, Mayor Pigatt stated that the joint audit workshop was called in response to a meeting held with the audit committee. The Audit Committee requested an update on how the City was performing in the last four audits, and looks forward to the information that will be provided.

2. ROLL CALL:

The following members of the City Commission were present: Vice Mayor Veronica J. Williams and Mayor Matthew Pigatt. Commissioner John H. Taylor Jr. arrived at 5:39 p.m., Commissioner Alvin E. Burke arrived at 5:43 p.m. and Commissioner Chris Davis arrived at 5:45 p.m. Also in attendance were: Assistant City Manager George Ellis and City Clerk Joanna Flores. The following Audit Committee Members were present: Board Member Dorothy Johnson (remotely) and Board Member Asheley Hepburn arrived at 5:49 p.m. Board Member Mykeshia Fenn was not in attendance.

3. INVOCATION:

The invocation was delivered by Vice Mayor Williams.

4. PLEDGE OF ALLEGIANCE:

The Pledge of Allegiance was recited in unison.

5. PUBLIC COMMENTS:

City Clerk Flores announced the protocol for public participation at city commission meetings.

City Clerk Flores stated there were no public comments provided.

6. PRESENTATION:

Anthony Brunson, CEO of Anthony Brunson, P.A.

Mayor Pigatt introduced Auditor Anthony Brunson, P.A. stating that he has been responsible for the City's audits for the past four cycles. He explained that Auditor Brunson will present to the public and the Commission, the audit findings, recommendations and guidance for the Commission. The Mayor then gave the floor to Auditor Brunson.

Auditor Brunson began by introducing his firm's audit team members. In his presentation he covered:

- Objective of an Audit
- Type of Engagements
- Audit Process
- Type of Audit Opinion(s)
- Comprehensive Annual Financial Report (CAFR)
- Pre-Audit Meeting Topics
- History of City of Opa-locka Financial Audit Matters
- City's Audit Opinions
- City's Audit Adjustments
- City's Internal Control Comments

Mayor Pigatt noted that the City's Internal Control Comments are the findings that the City needs to look into and resolve as soon as possible.

Auditor Brunson stated that would be correct.

Audit Committee Board Member Hepburn noted that while there is room for improvement, the City and the Auditor have done a good job of going from disclaimer qualification to a qualified opinion. The concern he expressed is with the items that are still in the condition of being noted as findings in 2018, and asked Management what their timeline is to address those items, because if there are items that are findings for more than one consecutive year that becomes an issue for the City in terms of getting out of financial oversight from the State. He asserted the importance of taking whatever steps are necessary to address those findings, even as the City goes into the next audit for 2019. Mr. Hepburn did express he was happy to find out that progress is being made on the capital inventory as reported by Finance Director Gerri Lazarre, but noted that there are a number of significant findings that really impact the City's financial report. He noted that one of the things the City should be doing on a monthly basis is providing a financial report to the Commission, which should at some point be reconciled to the books and cash balances, which are findings of the audit. He compared the City not having a way of understanding where its financial position is during the year, to a car not having a speedometer or a plane not having a GPS, because they are indicators that help with management. Board Member Hepburn emphasized that it is important that the City moves forward understanding what the timelines are, and jumping on it immediately.

Mayor Pigatt expressed that he felt Audit Committee Board Member Hepburn's question and comment was excellent.

Financial Consultant Gerri Lazarre reported that the City has been working to prepare the 2019 fiscal year audit, while making sure that the 2020 fiscal year audit items have been reconciled, and also working on the 2021 fiscal year at the same time. Ms. Lazarre explained that her department is short staffed, and are heavily trying to recruit for the finance director, senior accountant and accountant roles. She added that the City has been having challenges in terms of people who are applying for the positions. As an example, Ms. Lazarre stated that nine candidates recently applied and only one candidate was available for an interview. She stated that her department is trying to get monthly financial reports to the City, sharing that in previous conversations with the City Manager, the goal had been to get a quarterly report for the 2021 fiscal year, but they have been working on getting everything reconciled for Auditor Brunson's team for the 2010 fiscal year, causing a delay in providing the report.

Audit Committee Board Member Hepburn suggested that the Commission get a monthly update including a project timeline from Financial Consultant Lazarre, so that they know what position they are in with having all of the items addressed.

Mayor Pigatt thanked Audit Committee Board Member Hepburn and said he would take it to heart. During his operational meetings with the City Manager, the Mayor shared that it is always a question he asks and the response was about getting all of the audits done, staffing and bank reconciliations, which are preventing the Commission from getting that information. He thanked Mr. Hepburn for bringing it up because it is very important.

Audit Committee Board Member Dorothy Johnson concurred with Audit Committee Board Member Hepburn. Board Member Johnson reported that until December of 2014, the finance director would provide the Commission an update every meeting, and it was after that date that it came off the agenda. She added that the auditor works for the Commission while the resources and the tracking data comes from staff. With the Audit Committee working with the Commission, Board Member Johnson stated that she thinks these things have to be put on the table because there is a lot of data there, but because of the turnover she thinks the City has just not gripped it at this point.

Audit Committee Board Member Hepburn asked what the composition of the "other taxes" category, which was reviewed by Auditor Brunson during the History of City of Opa-locka Financial Audit Matters portion of his presentation, under his overview of revenues for governmental activities.

Auditor Brunson stated that to be sure, he would have to get back with Audit Committee Board Member Hepburn.

Commissioner Davis thanked Auditor Brunson for the thorough information he gave and for extending this opportunity for the new members on the Commission. The Commissioner expressed concern about the property tax item, and how the amounts increased but the revenue seemed to dip on the City's side. Additionally, despite acknowledging that he knows it is being dealt with, he shared that he has a big concern about the internal control comment that pertained to the City's physical assets, because it is the only finding that can prevent the City from receiving a clean opinion. Relative to those two items, Commissioner Davis asked for City Management to respond.

Financial Consultant Gerri Lazarre acknowledged that the slide showed the tax base increasing, but that is different from collection activity. Ms. Lazarre went on to explain that the City may not be collecting everything from property tax to tangible personal property tax. She noted that the City is collecting a lot of delinquent taxes from previous years, and that can cause a difference in that figure.

Commissioner Davis followed up, asking where the City is dropping the ball with collections, recalling that there were issues with user fees which were transitioned to the property tax bill. He asked what challenges the City has experienced as it relates to that.

Financial Consultant Gerri Lazarre reminded Commissioner Davis that the City doesn't collect property taxes, and that it is collected on the tax bill that is paid directly to the County. The City gets the bulk of the share of the property tax collection between November and December and then it tapers down a bit between then and March until about the month of July some of the additional collection that is delinquent comes in. Ms. Lazarre reported that the payments come directly from the County and they provide what is current and delinquent. She acknowledged that it looks like the delinquent portion seems to be getting a little higher, where property taxes from previous years that were not collectable is now being collected. As explained by Ms. Lazarre, the City doesn't have a lot of control over that.

Audit Committee Board Member Hepburn shared that Florida law allows each County to sell tax certificates, so that cities are seldom off significantly in their sales taxes, because if the taxpayer does not pay the tax, someone will buy the tax certificate. Mr. Hepburn expressed that there has to be something else going on. Because tax certificates are sold on most delinquent properties, he guaranteed that the majority of the City's taxes are being picked up by someone that will buy a tax certificate because it is a quick way to make 3-5%, and suggested that further research may need to be done.

Financial Consultant Gerri Lazarre stated that it is something that her department can contact the Property Appraiser's Office to get more data and provide an analysis to the Commission.

Budget Director Robert Anathan explained that while there may be a collection issue, in 2017 the millage rate was 10.0% and in 2018 it came down to 8.999%, which represents a 10% reduction.

Director Anathan expressed that he thinks that represents what the Commission saw in the chart in question.

Commissioner Davis acknowledged that if he heard Budget Director Anathan correctly, it is a result of the decrease of the millage rate from its highest point at 10%.

Financial Consultant Gerri Lazarre stated that it could have been part of the reason, but because she did not have the data in front of her, she relied on Mr. Anathan's analysis.

Commissioner Davis said all he wanted to know was the driver for the sudden decrease in the City's revenue, given that there was simultaneous growth in the tax base. The Commissioner thanked Ms. Lazarre and shared that he looks forward to her analysis of the issue.

Vice Mayor Williams thanked Mr. Brunson and his team for the thorough audit report. The Vice Mayor also echoed Board Member Hepburn's sentiments, stating that if you plan with the end in mind, then you are able to drive the car, giving the Commission the ability to know where they are going and how to be more effective.

Mayor Pigatt, referring to Auditor Brunson's 2018 audit report, asked what was meant by the statement that the auditor did not express an opinion on the effectiveness of Opa-locka's internal control.

Auditor Brunson reminded the Mayor about the fourteen different types of audits that he reviewed in his presentation. He explained that while there are audits that specifically render an opinion on the internal control environment and the nature of the financial audit includes and relies on test controls, their scope of work is not to give an opinion on internal control and it is only looked at in connection with the audit.

Mayor Pigatt asked if that would be more of an operational audit of the City's financial controls.

Auditor Brunson explained that a specific internal control review would test the City's systems and processes and provide a much deeper dive than what is done in connection with a financial audit. Mr. Brunson also clarified that it is standard language in any financial audit report.

Commissioner Davis acknowledged that as a government, the Commission wants to have its finances in order. Recalling that in the presentation it was mentioned that the financial statements are provided City-wide across departments, the Commissioner asked if the current structure has those financial statements provided on an annual basis.

Auditor Brunson explained that whenever the annual financial report has been produced in the past, there are two sets of statements. The first is entity-wide which is on a full accrual basis and considers all assets and liabilities. Day-to-day management is done from a fund or a modified accrual basis, where all the general funds for the different departments have line items under each

of their budgets. Mr. Brunson asserted that the City must produce that document at least annually to give opinions on the financial statements, but he can't address how frequently it is being done.

Commissioner Davis emphasized Mr. Hepburn and Vice Mayor Williams points, that the City wants to stay ahead. The Commissioner asked Auditor Brunson based on his experience working with different municipal governments, what his recommendation is for a timeline to review funds throughout the year. He asked if that review should be quarterly, and what is reasonable in his professional opinion.

Auditor Brunson stated that in his opinion, the minimum time would be quarterly, but as frequently as the Commission can, with the goal to look at the budgets to actual and review some financial data even if it is not entity wide on a monthly basis.

Audit Committee Board Member Hepburn commended the staff, and the Manager of the City of Opa-locka for putting the workshop together. Mr. Hepburn also commended Auditor Brunson and his CPA firm for their dedication to work with the City over the past 5 years. He expressed that he believes that in time the City will get to a position where there will be a good opinion on its audits, asserting that because the City did not get into this situation overnight, it is not going to get out of the situation overnight, and will just take discipline. Mr. Hepburn shared his confidence that the City will get there, because it has the right team and just needs to get more people on the team.

Auditor Brunson thanked Audit Committee Board Member Hepburn for his comments and echoed that, stating that everything is trending in the right direction, and the Commission just needs to continue the progress that is being made.

Vice Mayor Williams expressed that she would be remiss if she did not thank Financial Consultant Gerri Lazarre and her team, recognizing that they deserve kudos for always having their doors open whenever she has a finance question. The Vice Mayor thanked them for having the line of communication open and for the work they do on a daily basis. She also thanked Mr. Brunson and asserted that having more dialogue allows the Commission to know how to make sound decisions.

Mayor Pigatt echoed the sentiments of the board members and his colleagues on Mr. Brunson, staff and Management moving the City in this direction. Stating that it is very clear to those that are watching, the Mayor shared that they are seeing that Opa-locka is shifting tremendously in the right direction. He expressed that he liked the fact that clear goals were established coming out of the workshop, including:

1. Getting a timeline to address all of the findings in the past audits
2. Getting consistent monthly financial reports and reviewing them on a quarterly basis at a minimum as a Commission

3. Looking at the analysis of the dip in revenue, so that the Commission is clear on what that is
4. Not getting laxed in the direction that the City is going, acknowledging that it has been a huge herculean effort of the Commission, Management and staff

The Mayor noted that the Commission had laxed on the tradition of getting an update on the four major challenges, recalling that he always speaks about finance being number one. He noted that if the City doesn't get its finances together, everything else suffers, from employee pay, to Parks & Recreation, to streets falling to the mercy of having proper internal controls. The Mayor offered much respect and appreciation for everyone who has been involved in the process of helping to turn the City around. He thanked Mr. Hepburn and the board members for recommending that the workshop be scheduled, and Management and staff for organizing it.

7. ADJOURNMENT:

There being no further business to come before the City Commission and Audit Committee, it was moved by Commissioner Burke, seconded by Vice Mayor Williams to adjourn the meeting at 7:00 p.m.

Matthew A. Pigatt
Mayor

ATTEST:

Joanna Flores, CMC
City Clerk