

**OFFICE OF THE CITY COUNCIL**

**CHERYL L. BROWN** 117 WEST DUVAL STREET, SUITE 425

DIRECTOR 4TH FLOOR, CITY HALL

OFFICE (904) 630-1452 JACKSONVILLE, FLORIDA 32202

FAX (904) 630-2906

E-MAIL: CLBROWN@coj.net

**Finance Audit Subcommittee Meeting Minutes**

**March 25, 2015**

**3:00 p.m.**

**Topic:** Finance Audit Subcommittee meeting

**Location:** Conference Room A, City Hall – St. James Building; 117 West Duval Street,

Suite 425

**In attendance:** Council Members Matt Schellenberg, John Crescimbeni

**Excused:** Council Member Carter

Also: Kyle Billy, Phillip Peterson and Kim Taylor– Council Auditor’s Office; Paige Johnston – Office of General Counsel; Jeff Clements – Council Research Division; Jessica Morales – Legislative Services Division; Jeffrey Zeichner – McGladrey LLP

**Meeting Convened**: 3:02 p.m.

Chairman Schellenberg convened the meeting and the attendees introduced themselves for the record.

Jeffrey Zeichner, Senior Assurance Manager for McGladrey LLC, the City’s independent auditor, distributed and discussed a memo written to Council Auditor Kirk Sherman explaining the company’s need for additional compensation to comply with a new procedure imposed on local government audits by the Florida Auditor General relating to compliance with Florida Statutes regarding investment policies and budgeting by clerks of the courts. The firm estimates an additional 106 hours of staff time will be needed to perform the needed work, at a cost of $14,500 for McGladrey staff time, or $7,500 if the Council Auditor’s Office can provide 72 hours of staff support. The committee approved the $7,500 additional fee with the Council Auditor’s Office providing the requisite staff support.

Chaiman Schellenberg invited Mr. Zeichner to expand upon a conversation the two had had last week regarding McGladrey’s proposal to retain the City’s auditing contract for another 3-year term. Mr. Zeichner explained that McGladrey’s fee was substantially higher than the other contending firm because they provide a higher level of expertise and service, including the use of in-house actuaries to double-check the City’s actuarial calculations in the area of Risk Management, and also because the higher level of service has meant that the firm’s profit margin is very low and it has not really seen any financial return from having the City contract. In response to a question he stated that the City, while a prominent client that they would like to have in their portfolio, has been difficult to work with. That is attributable in part to the City’s antiquated financial management system, and in part to personnel change-over during the past several years, with several key financial managers leaving the City for other jobs and leaving either vacant positions or new, inexperienced personnel in their wake. It is Mr. Zeichner’s impression that since former CFO Mickey Miller and former Comptroller Kevin Stork left the Finance Department several years ago, there is little interest in accounting and auditing functions and the remaining employees are working at maximum capacity to keep functions operating. Mr. Zeichner reported that the City is not ready to meet its financial filing deadline this year, in part because the actuarial statements for the General Employees Pension Plan are not yet compliant with new GASB standards.

Assistant Council Auditor Kyle Billy indicated that this was the first time the Auditor’s Office was being made aware of problems and was surprised by the negative feedback about the City contract. Phillip Peterson indicated that the office has negotiated with and is ready to sign a contract with top-ranked proposer CRI.

**Meeting Adjourned**: 3:28 p.m.

Minutes: Jeff Clements, Council Research Division

3.25.15 Posted 5:30 p.m.

Tapes: Finance Audit Subcommittee meeting– LSD

3.25.15