

TOWN OF DAVIE

TOWN COUNCIL AGENDA REPORT

TO: Mayor and Councilmembers

FROM/PHONE: Carol Menke/797-1054

DOCUMENT PREPARED BY: Carol Menke/797-1054

SUBJECT: Resolution

AFFECTED DISTRICT: n/a

TITLE OF AGENDA ITEM: A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, EXTENDING THE CONTRACT WITH RACHLIN COHEN & HOLTZ LLP, CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS, AS TOWN AUDITORS FOR ONE YEAR; AND PROVIDING AN EFFECTIVE DATE.

REPORT IN BRIEF: The audit of fiscal year 2001 was the final year on the existing contract with Rachlin Cohen & Holtz LLP. This extension is for the audit of fiscal year 2002 which has already ended as of September 30, 2002.

It is in the best interest of the Town to remain with the same firm during the Town's Water & Sewer bond refunding in order to continue to move the process forward uninterrupted. The Town is refunding the 1992 bonds in order to take advantage of the market's current favorable interest rate environment.

A one year renewal will also enable the fiscal year end 2002 audit to be completed sooner because beginning a bid process now will delay the start of the audit by approximately two months. By renewing with the existing firm, the 2002 audit should be completed in time to allow the bidding process for the fiscal year 2003 audit to be completed and an auditor selected prior to the end of the fiscal year. This renewal will facilitate once again having the Town's annual audit reports issued on a timely basis.

PREVIOUS ACTIONS: Resolution 1995-228 and Resolution 2000-219.

CONCURRENCES: N/A

FISCAL IMPACT:

Has request been budgeted? Yes

If yes, expected cost: \$84,000

Additional Comments: Amount shown reflects base audit fee of \$72,500 plus the following additional services which may be required and/or requested by the Town: Florida Single Audit Act audit - \$5,500; and preparation of the Comprehensive Annual Financial Report - \$6,000.

RECOMMENDATION(S): Motion to approve the resolution.

Attachment(s):

Resolution and Exhibit

RESOLUTION NO. _____

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, EXTENDING THE CONTRACT WITH RACHLIN COHEN & HOLTZ LLP, CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS, AS TOWN AUDITORS FOR ONE YEAR; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the State of Florida requires an audit of all municipal finances by an independent certified public accounting firm; and

WHEREAS, the Town has previously appointed the firm of Rachlin Cohen & Holtz LLP, certified public accountants and consultants, as Town Auditors; and

WHEREAS, the Town is currently in a position to realize substantial interest rate savings by refunding the 1992 Water & Sewer bond issue; and

WHEREAS, extending for one year with the same audit firm will expedite the refunding process; and

WHEREAS, for these reasons the Town Council of the Town of Davie wishes to extend the contract with this firm for one additional year;

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA:

SECTION 1. The firm of Rachlin Cohen & Holtz LLP is appointed Town Auditor for the fiscal year ended September 30, 2002.

SECTION 2. That this firm is engaged to perform the duties as outlined in the commitment letter attached hereto (Exhibit "A") and any other duties as directed by the Town Administrator of the Town of Davie, Florida.

SECTION 2. This resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED THIS _____ DAY OF _____, 2003

MAYOR/COUNCILMEMBER

Attest:

TOWN CLERK

APPROVED THIS _____ DAY OF _____, 2003



December 19, 2002

Mr. Thomas Willi, Town Administrator
 Town of Davie
 6591 S.W. 45th Street
 Davie, Florida 33314

Dear Mr. Willi:

As part of our continuing engagement with the Town of Davie, Florida (the Town), we are pleased to confirm our understanding of the services we are to provide to the Town of Davie for the year ended September 30, 2002. We will audit the financial statements of the Town of Davie, Florida as of and for the year ending September 30, 2002. We understand that the financial statements will be presented in accordance with the financial reporting model described in GASB Statement No. 34. Also, the document we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the basic financial statements:

1. Schedule of expenditures of federal awards and state financial assistance (as applicable).
2. Managements Discussion & Analysis
3. Combining and individual fund statements and schedules
4. Required Supplementary Information

The document will also include the following additional information that will not be subject to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion.

1. Statistical section

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on -

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General of the State of Florida (if applicable).

One Southeast Third Avenue, Tenth Floor, Miami, Florida 33131 • Tel 305-377-4228 • Fax 305-377-8331
 Offices in: Miami • Ft. Lauderdale • West Palm Beach • Stuart
www.rchcpa.com

Member of Summit International Associates, Inc. with offices in principal cities throughout the world
 Member of the American Institute of Certified Public Accountants and member of the Florida Institute of Certified Public Accountants



Mr. Thomas Willi, Town Administrator
Town of Davie
December 19, 2002
Page 2

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the Town Council, management, specific legislative or regulatory bodies, federal and state awarding agencies, and if applicable, pass-through entities.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States, 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; and the provisions of OMB Circular A-133, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133 and the Florida Single Audit Act, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinion is other than unqualified, we will fully 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 to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for establishing and maintaining internal control and for compliance with the provisions of contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal and state award programs are managed in compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, including the schedule of expenditures of federal awards and state financial assistance, but the responsibility for the financial statements remains with you. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting and compliance, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the 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. Additionally, as required by OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.



Mr. Thomas Willi, Town Administrator
Town of Davie
December 19, 2002
Page 3

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. As required by the Single Audit Act Amendments of 1996 and OMB Circular A-133 and the Florida Single Audit Act and Chapter 10.550 Rules of the Auditor General, our audit will include test of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements (whether caused by errors or fraud), illegal acts, or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements, immaterial illegal acts, or illegal acts that do not have a direct effect on the financial statements or major programs. However, we will inform you of any material errors that come to our attention and any fraud that comes to our attention. We will also inform you of any illegal acts 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 matters that might arise during any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinions on the Town of Davie's financial statements and on its compliance with requirements applicable to major programs.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. 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. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control



Mr. Thomas Willi, Town Administrator
Town of Davie
December 19, 2002
Page 4

and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and state 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 OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the Town Council and management of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We will also inform you of any nonreportable conditions or other matters involving internal control, if any, as required by OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General.

Audit Procedures—Compliance

Our audit will be conducted in accordance with the standards referred to in the section titled Audit Objectives. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Town of Davie's compliance with applicable laws and regulations and the provisions of 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*.

OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the *OMB Circular A-133 Compliance Supplement* and the *State Compliance Supplements* for the types of compliance requirements that could have a direct and material effect on each of the Town's major programs. The purpose of those procedures will be to express an opinion on the Town's compliance with requirements applicable to major programs in our report on compliance issued pursuant to OMB Circular A-133 and the Florida Single Audit Act.

Audit Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any invoices selected by us for testing.



Mr. Thomas Willi, Town Administrator
Town of Davie
December 19, 2002
Page 5

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form (required under Federal Single Audit Act only) that summarizes our audit findings. We will provide copies of our reports to the Town of Davie; however, 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, auditors' reports, and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits. At the conclusion of the engagement, we will provide information to management as to where the reporting packages should be submitted and the number to submit.

The workpapers for this engagement are the property of Rachlin Cohen & Holtz LLP and constitute confidential information. However, we may be requested to make certain workpapers available to a regulatory or grantor agency pursuant to authority given to it by law or regulation. If requested, access to such workpapers will be provided under the supervision of Rachlin Cohen & Holtz LLP personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to a regulatory or grantor agency. The regulatory or grantor agency may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

The workpapers for this engagement will be retained for a minimum of three years after the date the auditors' report is issued or for any additional period requested by the regulatory or grantor agency. If we are aware that a federal or state 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 workpapers.

Our fee for these services are estimated to be \$72,500 for the fiscal year ended September 30, 2002. Our invoices for these services will be rendered as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 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 even if we have not completed our report. 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.

If applicable and in accordance with the *Rules of the Auditor General*, Chapter 10.550 and the *Florida Single Audit Act*, Section 215.97, Florida Statutes, if the Town is required to have an audit of state financial assistance projects we anticipate the fees for this additional service to be approximately \$5,500.

In addition, in order to assist the Town in filing its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2002 in compliance with regulatory reporting requirements, we will assist in



Mr. Thomas Willi, Town Administrator
Town of Davie
December 19, 2002
Page 6

the preparation of the CAFR. Responsibility for the financial statements and contents of the CAFR still remains with the Town. Preparation of the Letter of Transmittal, Management's Discussion & Analysis and the Statistical Section would still be the responsibility of the Town. We estimate the fees for this additional service to range from \$5,000 to \$6,000.

We acknowledge your right to terminate our services at any time, and you acknowledge our right to resign at any time (including instances where in our judgment, our independence has been impaired or we can no longer rely on the integrity of management), subject in either case to our right to payment for charges incurred to the date of termination or resignation.

In the event that we determine to resign, and you seek damages allegedly resulting from such resignation, our maximum liability to you in the event we are held liable because of such resignation shall be limited to the fees actually paid to us to the date of resignation.

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report. Our 2001 peer review report accompanies this letter.

This contract is renewable at the option of the Town of Davie. We appreciate the opportunity to be of continued service to the Town of Davie 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 the enclosed copy and return it to us.

Sincerely,

Michael D. Futterman, CPA
Director

RESPONSE:

This letter correctly sets forth the understanding of the Town of Davie, Florida.

By: _____

Title: _____

Date: _____



Altschuler, Melvoin and Glasser LLP
Certified Public Accountants and Consultants

October 24, 2001

Partners of
Rachlin Cohen & Holtz LLP
and the SEC Practice Section Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Rachlin Cohen & Holtz LLP (firm) in effect for the year ended April 30, 2001. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in Statements on Quality Control Standards, issued by the American Institute of Certified Public Accountants (AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. In addition, the firm has agreed to comply with the membership requirements of the SEC Practice Section of the AICPA Division for CPA Firms (Section). Our responsibility is to express an opinion on the design of the system, the firm's compliance with that system and the Section's membership requirements based on our review.

Our review was performed in accordance with standards established by the Peer Review Committee of the Section and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it or with the membership requirements of the Section since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Rachlin Cohen & Holtz LLP in effect for the year ended April 30, 2001 has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of complying with professional standards. Also in our opinion, the firm complied during that year with the membership requirements of the Section in all material respects.

Altschuler, Melvoin & Glasser LLP

ALTSCHULER, MELVOIN AND GLASSER LLP

One South Wacker Drive, Suite 800, Chicago, Illinois 60606-3392
312.384.6000 Fax 312.634.3410 www.amgnet.com

TOWN OF DAVIE PROCUREMENT AUTHORIZATION

ACCOUNT NUMBER	BUDGET ITEM & DESCRIPTION	APPROXIMATE COST
001-0103-512-0302	Audit Exp.	\$ 70,000
001-0203-513-0306	Contractual Svc.	6,000
040-1058-530-0320	Professional Svc.	9,000
METHOD OF PROCUREMENT (check the one that applies)		<u>84,000</u>

- Open Competitive Bidding
 Piggyback on Contract Number Town of Davie resolutions R1995-228 and R2000-219
 Sole Source
 Request For Proposals

SPECIFICATIONS & LIST OF VENDORS MUST BE ATTACHED

Signed *Carol Munk*
Department Head

Have Funds been Reserved Yes - 28417

Date 12/26/02 Signed *[Signature]*

Signed _____
Town Administrator

VENDOR	BIDS SUBMITTED	COST
<u>RACHLIN + COHEN</u>		<u>284,000.00</u>

Signed *[Signature]*
Procurement Manager

TOWN ADMINISTRATOR'S RECOMMENDATION

Vendor	Cost
<u>RACHLIN + COHEN</u>	<u>284,000.00</u>

Signed _____
Town Administrator

+