TOWN OF DAVIE
SPECIAL MEETING
ON EXTERNAL AUDITING SERVICES
AUGUST 21, 2013

1. PLEDGE OF ALLEGIANCE

The meeting was called to order at 4:00 p.m. and was followed by the Pledge of Allegiance.

2. ROLL CALL

Present at the meeting were Mayor Paul, Vice-Mayor Caletka and Councilmembers Luis, Hattan and Starkey. Also present were Town Administrator Lemack, Town Attorney Rayson and Town Clerk Muniz recording the meeting.

3. EXTERNAL AUDITING SERVICES

Procurement Manager Herb Hyman explained that staff had short-listed three companies.

Bill Benson of Keefe McCullough introduced Cindy Calvert and Israel Gomez. He said the firm had nine partners and 60 employees and they audited more cities in Broward County than any other firm.

Ms. Calvert reported the company currently audited 15 municipalities, 13 of which had received the Certificate of Achievement in financial Reporting. Because of the firm's concentration, they had a larger, more flexible auditing team and had significant experience auditing the Town's major programs. Ms. Calvert stated the best indicator of how their municipal clients felt about their level of service revolved around rotation issues that audit committees faced. They had lost Aventura and Coconut Creek to rotation, but both had come back to the company for five-year contracts.

Mr. Gomez explained they were very involved in risk assessment and planning procedural work. They were very technology oriented and everything was done online so they could access whatever was needed from their servers. Mr. Gomez said the Town would have access to people with significant governmental work experience. He remarked the firm had very slow turnover so the team did not need to be retrained year after year. They also invested in continuing education for staff. Mr. Gomez reported they had external peer review every three years and their reports had received no comment letter since the inception of the program, something only 5% of firms in the country could state.

Mr. Benson felt the finance arm of the Town was going in the right direction, and mentioned the Town had achieved the Distinguished Budget Award last year. Regarding Turnover, Mr. Benson recalled one 14-year period when the firm had not lost one employee.

Vice-Mayor Caletka asked if the firm had ever identified any wrongdoing in a municipality's audit. Mr. Benson stated they had found things that were "fairly uncomfortable" and reported it to the Finance Director and then worked their way up the chain of command. He said they would pursue any such issue until they were comfortable they had discharged their responsibility.

Mayor Paul requested affirmation that the firm accepted responsibility for the CAFR document preparation and they would provide an electronic file for the Town's use. Mr. Benson agreed and said they preferred electronic documents to paper.

Mayor Paul asked for a recent example of a management letter comment that a governmental client implemented that enhanced revenue or reduced expenditures. She also asked how the firm's audit approach in Davie would be designed to find such opportunities. Mr. Benson said one of their governmental clients had solicited firms to implement an auditor's numerous comments and he had helped them to create a three-year plan to address the comments by prioritizing them based on revenue enhancement, cost control and internal control improvement.

Tony Grau of Grau and Associates introduced Michelle Blackstock, Raquel McIntosh, Jennifer Wasserman and Tom Knox. Mr. Grau stated Davie was the firm's most important client and they would like to continue performing the Town's audit. He explained that 80% of the staff were CPAs and everyone present had been with the firm at least five years. Mr. Grau stated they only handled governmental audits and they had performed over 250 in the past year.

Ms. Blackstock said they used a client-friendly approach and they made sure they spoke to the right people and understood circumstances before recommending an adjustment or issuing a finding. She said there were significant changes coming because of pension updates and they prepared staff to make sure the actuarial reports were done correctly. Ms. Blackstock informed Council that any of their clients that had applied for the CAFR awards had received them. She stressed that Grau already had a relationship with the Town and staff as well as an in-depth knowledge of internal controls, procedures and software. Ms. Blackstock stated their top priority was communicating with and answering to Councilmembers. Their procedures emphasized using technology and they incorporated a yearly change in procedures to encourage them to look at things differently. Ms. Blackstock said the team members had an average of 22 years of experience.

Mr. Grau reiterated that the Town was very important to the firm; they knew the complexities inside-out and already had a relationship with staff.

Vice-Mayor Caletka asked how Mr. Grau felt the Town's Procurement Manager or Director of finance would rate the firm. Mr. Grau thought the Director of Finance would rate the firm a 10.

Councilmember Luis asked if Mr. Grau would negotiate the firm's fee if it was chosen and Mr. Grau agreed.

Mayor Paul requested affirmation that the firm accepted responsibility for the CAFR document preparation and they would provide an electronic file for the Town's use. Mr. Grau agreed. He added that the firm accepted scanned documents for audit testing as opposed to requiring hard copies of files. Ms. Blackstock informed Council that the firm had a secure client portal for transferring files.

Mayor Paul asked for a recent example of a management letter comment that a governmental client implemented that enhanced revenue or reduced expenditures. She also asked how the firm's audit approach in Davie would be designed to find such opportunities. Mr. Grau reported that in another municipality they had discovered issues with their billing cycle on the revenue side that had not been discovered by a prior auditor. They had encountered significant resistance from management but he had presented the issues to the town council and in the end, the Mayor was very pleased that someone had stood up to management.

Councilmember Hattan asked the firm's position on diversity hiring and Mr. Grau replied that the firm was very diverse; they currently had a ratio of approximately 50% women to 50% men but he noted that in the past, they had been 80% staffed by women and 20% by men.

Roderick Harvey of Harvey, Covington and Thomas stated his firm specialized in municipal auditing. Louis Chazen introduced Adam Siegel, and discussed the credentials of team members. Mr. Harvey stated the firm participated in the community, and offered internships for college students. Their CPAs took 24 hours of continuing education in governmental auditing and appropriate topics. He said their mission was to serve the Council. As well as auditing municipalities, Mr. Harvey informed Council that they were currently working as one of the audit teams for Broward County and the School Board of Broward County. They had also audited all of the ELCs in the State of Florida.

Mr. Harvey said they were a technology-driven, team-oriented firm and they believed in meeting deadlines. They had a completely computerized, cloud-based system for transferring documents that allowed them to get the audit done in a seamless manner. Mr. Harvey said their mission statement was to serve the municipal government market and provide the Town highly-qualified services.

Councilmember Starkey asked Mr. Harvey if he would be willing to negotiate the contract price and he agreed.

Mayor Paul requested affirmation that the firm accepted responsibility for the CAFR document preparation and they would provide an electronic file for the Town's use. Mr. Harvey agreed. He added that the firm submitted both the federal and state filings. He noted that the firm preferred scanned documents for audit testing as opposed to requiring hard copies of files.

Mayor Paul asked for a recent example of a management letter comment that a governmental client implemented that enhanced revenue or reduced expenditures. Mr. Harvey related that they had noted a situation in which pay raises and accruals for time were not being appropriately tracked by the Human Resources Department. When the company implemented changes, costs regarding accruals and time had been reduced city-wide.

Mr. Hyman informed Council that the RFP was for a five-year engagement, with an option to renew for another five years. Budget and Finance Director Bill Ackerman could negotiate a different length of contract during negotiations.

Mr. Hyman provided Council with the staff's ratings of these three firms; the order of the presentations coincided with the ranking.

Mayor Paul remarked that all three firms were highly qualified. Mr. Hyman confirmed that staff had agreed that all three firms were qualified. In such a situation, he said price became a way to differentiate.

Mr. Hyman distributed the ranking sheets and Council completed them.

My Hyman announced that Keefe McCullough had been ranked first with 7 points; Grau received 9 points and Harvey, Covington and Thomas received 14 points. He said Mr. Ackerman would negotiate with Keefe McCullough and bring the contract back to Council. If they reached an impasse with the first-ranked firm, they would begin negotiations with the next-ranked firm.

4. ADJOURNMENT

There being no further business to discuss and no objections, the meeting was adjourned at 4:58 pm.

Approved_____ _____
Mayor/Councilmember

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Town Clerk