

PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS

30-3

AGENDA ITEM SUMMARY

Meeting Date: February 24, 2009

Consent

Regular

Workshop

Public Hearing

Department: Office of Financial Management and Budget

I. EXECUTIVE BRIEF

**Motion and Title:** Staff recommends motion to approve Amendment #2 to the Contract for External Auditing Services with McGladrey & Pullen, LLP (R2006-1183), exercising the renewal option for two years, which extends the Contract to April 30, 2011 in an amount not to exceed \$741,000 for the first year and \$778,000 for the second year.

**Summary:** On June 20, 2006 (R2006-1183), the Board entered into a Contract with McGladrey & Pullen, LLP to provide audit services to Palm Beach County, as well as the Constitutional Officers of the County. The Contract was for a three (3) year period ending with the 2008 audit plus options for four (4) additional years. All work performed under the initial term of the Contract was performed in a satisfactory manner and staff is recommending the Board extend the Contract period two (2) years. McGladrey & Pullen, LLP has committed to an SBE participation level of 25% for the term of the Contract extension, the same as achieved in the initial term. McGladrey & Pullen met their goal during the original Contract period with 25% participation. The cost of the extension will be \$741,000 for FY 2009 and \$778,000 for FY 2010. This represents a decrease of 2 1/2% from the current audit fee in the first year. Countywide (PFK)

**Background and Policy Issues:** The Board entered into a Contract with McGladrey & Pullen, LLP on June 20, 2006 (R2006-1183), which was amended on June 3, 2008 to increase fees for additional work required by new auditing standards. The initial term of the contract was to provide audit services for fiscal years ending September 30, 2006, 2007, and 2008. The Contract contained an article giving the County the option to extend the Contract for up to four additional years.

The initial term of the Contract will expire on April 30, 2009, upon completion of the FY 2008 audit. The County's Auditor Selection Committee, consisting of the Constitutional Officers, Commissioner Koons representing the Board, the County Administrator, Director of OFMB and the Internal Auditor, met on January 13, 2009 to discuss the renewal of the Contract. The consensus of the Committee was to extend the term for two years. Staff concurs with the Committee recommendation.

The cost of the extension will be \$741,000 for FY 2009 and \$778,000 for FY 2010. This represents a decrease of 2 1/2% from the current audit fee in the first year and 5% increase in the second year.

**Attachments:**

**1. Contract Amendment**

Recommended by:

Elizabeth Beese  
Department Director

2/4/09  
Date

Approved by:

[Signature]  
County Administrator

2/6/09  
Date

**II. FISCAL IMPACT ANALYSIS**

**A. Five Year Summary of Fiscal Impact:**

Fiscal Years	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>20012</u>	<u>2013</u>
Capital Expenditures	_____	_____	_____	_____	_____
Operating Costs	_____	<u>\$741,000</u>	<u>\$778,000</u>	_____	_____
External Revenues	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In-Kind Match (County)	_____	_____	_____	_____	_____
<b>NET FISCAL IMPACT</b>	_____	<u>\$741,000</u>	<u>\$778,000</u>	_____	_____

# ADDITIONAL FTE  
POSITIONS (Cumulative)

Is Item Included In Current Budget? Yes \_\_\_ No N/A  
 Budget Account No.: Fund \_\_\_ Department \_\_\_ Unit \_\_\_ Object \_\_\_  
 Reporting Category \_\_\_\_\_

**B. Recommended Sources of Funds/Summary of Fiscal Impact:**

Audit fees will be included in the annual budget process.

C. Departmental Fiscal Review: Richard Horvath 2/4/09

**III. REVIEW COMMENTS**

**A. OFMB Fiscal and/or Contract Dev. and Control Comments:**

Jim D... 2-4-09  
 OFMB CA 2/4/09

Dr. J. Jacoby 2/5/09  
 Contract Dev. and Control 6/25/09

**B. Legal Sufficiency:**

**This amendment complies with  
our review requirements.**

Paul F. ... 2/6/09  
 Assistant County Attorney

**C. Other Department Review:**

\_\_\_\_\_  
 Department Director

**This summary is not to be used as a basis for payment**

**AMENDMENT 2 TO CONTRACT (R2006-1183) WITH**

**McGladrey & Pullen LLP**

**THIS AMENDMENT NUMBER 2**, dated this day of February 24, 2009, to the contract of June 20, 2006 by and between Palm Beach County, a political subdivision of the State of Florida, by and through its Board of Commissioners, hereinafter referred to as the COUNTY, and McGladrey & Pullen LLP hereinafter referred to as the AUDITOR.

**WHEREAS**, the parties entered into the contract dated June 20, 2006 under which the AUDITOR was to provide certain professional Auditing Services for the County; and

**WHEREAS**, in accordance with Article 2 of the Contract the parties desire to extend the Contract for the first two of the additional option years, to make certain additions to the Statement of Work, and to revise the applicable fee schedule.

**NOW THEREFORE**, in consideration of the mutual promises contained herein the parties agree as follows:

1. The term of the Agreement, as set forth in Article 2, is extended for two (2) years through April 30, 2011, and the option period is therefore reduced from "four (4)" to "two (2)" years.
2. For the period April 30, 2009 through April 30, 2011 the revised Exhibit A "Statement of Work" details the services to be performed by the AUDITOR.
3. For the period April 30, 2009 through April 30, 2011 the revised Exhibit C, Fee Schedule, attached hereto and incorporated herein, shall apply to all charges for services performed by the AUDITOR.
4. In Article 28, the Address for Notice to the COUNTY is hereby revised to:

Attn: Liz Bloeser, Director of OFMB  
Palm Beach County Governmental Center, 7<sup>th</sup> Floor  
301 N. Olive Avenue  
West Palm Beach, FL 33401

Except as expressly modified above, the Contract is hereby confirmed and remains in full force and effect.

**IN WITNESS WHEREOF**, the Board of County Commissioners of Palm Beach County, Florida has made and executed this Contract on behalf of the COUNTY and AUDITOR has hereunto set its hand the day and year above written.

**ATTEST:**

**SHARON R. BOCK, Clerk**

By: \_\_\_\_\_  
Deputy Clerk

**PALM BEACH COUNTY, FLORIDA  
BY ITS BOARD OF COUNTY  
COMMISSIONERS**

By: \_\_\_\_\_  
John F. Koons, Chairman

**WITNESS:**

By: Wendy Klein  
Signature

**McGLADREY & PULLEN LLP**

By: Frank J. Goudreau  
Title: Partner

**APPROVED AS TO FORM  
AND LEGAL SUFFICIENCY**

Paul F. S.  
County Attorney

**APPROVED AS TO TERMS AND  
CONDITIONS**

Elizabeth Blaser  
OFMB

## **Exhibit A**

### **Statement of Work**

#### **I. Periods to be Examined**

The audit engagement will cover each of the fiscal years ending September 30, 2009, and 2010 (two years) with an option to be exercised by the Board of County Commissioners to renew the contract for up to two additional years.

#### **II. Scope of Examination**

##### **A. Financial Statements**

The examination will be a financial and compliance audit in accordance with Section 11.45, Florida Statutes, in order to express an opinion on an annual basis on the financial statements of the Board, Constitutional Officers and component units included in the Comprehensive Annual Financial Report (CAFR). The first year to be audited will be the fiscal year ending September 30, 2009. The examination should be to the extent necessary for the auditor to express an opinion on the fairness with which the financial statements present the financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles, the requirements of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the requirements of the State Auditor General related to the audit of state grant-in-aid appropriations as provided for in Chapter 10.550 of the Rules of the Auditor General and Florida Statutes 216.349 and 216.3491.

To this effect, the auditors shall familiarize themselves with and comply with the provisions of any and all federal, state and county orders; statutes; ordinances; charter; bond covenants; administrative code and orders. Rules and regulations that may pertain to the work required in the engagement, include, but shall not be limited to the following:

- Section 218.39(1)(a), Florida Statutes – Annual Financial Audit Report “AFAR”
- Section 218.32(1)(a), Florida Statutes – Annual Financial Report “AFR” for local government entities
- Section 11.45, Florida Statutes and 10.550 Rules of the Auditor General
- Section 216.349, Florida Statutes (State Grants & Aids Appropriations)
- AICPA's Audits of State and Local Government Units
- Comptroller General of the U.S.'s Governmental Auditing Standards
- Federal Single Audit Act and OMB Circular A-133
- Federal Grant Contract Requirements

- State Grant Contract Requirements  
Section 29.0085, Florida Statutes, Statement of County Funded Court Related Functions
- Florida Single Audit Act Section 215.97, Florida Statutes
- Section 28.35(2)(d), Florida Statutes – Article V budget certification
- Section 28.25(2)(e), Florida Statutes – Article V performance measures certification

The statements to be audited will be prepared by the Clerk and Comptroller's Finance Department or other appropriate Constitutional Officer. The Auditor will submit any proposed adjusting journal entries to the Finance Department and OFMB or appropriate Constitutional Officer for approval in a timely manner.

County understands and agrees that the underlying books and records of account must be properly closed as required by Florida Statutes to maintain the independence of the Auditor and allow the Auditor reasonable time to meet the completion deadlines.

#### **B. Review of Internal Control**

An evaluation is to be made of the system of internal control to assess the extent it can be relied upon to ensure accurate information, to ensure compliance with law and regulations, and to provide for efficient and effective operations. The study of internal control should include:

1. **Review of the system**, which is primarily the process of obtaining information about the organization and the procedures prescribed and is intended to serve as the basis for tests of compliance and for evaluation of the system.
2. **Tests of compliance**, which are made to provide reasonable assurance that the accounting control procedures are being applied as prescribed.
3. **Data Processing Review**, A review is to be made to compare the calculating operations of the computer with the desired results by tests of transactions. A review of controls used in the computer center to assure protection of files and prevention of processing errors and a review of the data processing operation shall be made.

#### **C. Audit Report**

The audit report is to include the auditor's opinion, audited financial statements and management letters. An oral presentation to the Board of County Commissioners or its Audit Committee may be required summarizing the results of the audit report involving the Board of County Commissioners.

##### **1. Opinion-Comprehensive Annual Financial Report (CAFR)**

This audit report shall contain an opinion on the general purpose financial statements of the Board, Constitutional Officers and component units as a whole. If an unqualified opinion cannot be expressed, the nature of the qualification should be clearly stated in the opinion. Auditor shall provide one signed original of the opinion letter.

## **2. Opinion - Auditor General**

This report shall contain separate opinions on the financial statements of the Board and each Constitutional Officer. If unqualified opinions cannot be expressed, the nature of the qualification should be clearly stated in the opinion. Auditor shall provide one signed original of each of the opinion letters.

## **3. Report on Federal and State Grants**

The scope of the examination shall include audits now required by State and Federal authorities (grant audits) including the Single Audit Act of 1994, the Single Audit Act Amendments of 1996 and OMB Circular A-133, and Rules of the Auditor General. Auditor shall provide 55 bound copies and one unbound copy of the report to OFMB and one unbound, unnumbered copy to the Finance Department for the AFAR.

## **4. Management Letters**

The auditor shall prepare management letters which shall contain audit findings which, among other matters, may include the following material items discovered within the scope of the audit:

- a. Whether errors or irregularities reported in the preceding audit report have been corrected;
- b. Whether recommendations made in the preceding audit report have been followed;
- c. Recommendations to improve management, accounting procedures, internal controls, and increase efficiency;
- d. Violation of the laws, rules, and regulations discovered within the scope of the audit;
- e. Illegal expenditures discovered within the scope of the audit;
- f. Improper or inadequate accounting procedures;
- g. Failure to properly record financial transactions;
- h. Other inaccuracies, irregularities, shortages, and defalcations discovered by the auditor; and
- i. Whether the Annual Financial Report filed with the State by the Clerk and Comptroller is in agreement with the audited financial statements for the same period and, if not, specify any significant differences.

The drafts of the management letter concerning the operations of the Board of County Commissioners are to be discussed with the County Administrator, the Clerk & Comptroller's Chief Financial Officer and Internal Auditor before issuance in final form. The draft management letter for each constitutional officer will be discussed with the Constitutional Officer or their designated representative before issuance in final form.

The final presentation of the management letter shall be in one combined report to include the Board and Constitutional Officers. Auditor shall provide 50 bound copies and one unbound copy of the management letter to OFMB, one bound copy to each Constitutional Officer, and one unbound, unnumbered copy to the Finance Department for the AFAR.

**D. Other Services to be Provided**

In addition to the audit of the County's Financial Statements, the selected Auditor's will be required to provide additional annual services for the following:

- Statement of County Funded Court Related Functions (Sec 29.0085, FS)
- Separate opinion audits on Airports and Water Utilities Department - 10 bound copies of each
- Report on the special purpose statement of unissued hunting and fishing licenses of the Tax Collector
- Agreed-upon procedures regarding National Transit Database Reports, Operating Expenses, Form and Urbanized Area Formula Statistics Form

The following organizations are presented in the County's financial statements as component units:

- Solid Waste Authority (SWA) (blended)
- Housing Finance Authority (HFA) (discrete)
- Westgate/Belvedere Homes Community Redevelopment Agency (CRA) (discrete)
- Metropolitan Planning Organization (discrete)
- Palm Tran (blended)

The financial statements of the SWA, HFA and CRA are currently audited by other Certified Public Accountants, and the scope of services contemplated in this Request for Proposal does not anticipate an examination of their statements of operations. However, the successful proposer will be responsible for incorporating these financial statements into the Palm Beach County Comprehensive Annual Financial Report.

The successful accounting firm will conduct or arrange for Continuing Professional Education (CPE) Programs by providing twenty-four (24) hours of Governmental Accounting and Auditing CPE credit for up to twenty (20) county and Constitutional Officer employees (total 480 hours) in each year of the contract including renewal periods. No CPE program fees will be charged to the employees attending such sessions. Other costs such as travel, lodging, lunch costs, and out-of-pocket expenses will be the responsibility of the County or the Constitutional Officers. These hours shall be provided within 100 miles of West Palm Beach.

**E. Other Considerations**

Except as may be otherwise required by Federal or State Grantors all grant audits will be handled as a single audit under the Single Audit Act of 1984, Single Audit Act Amendments of 1996 and Rules of the Auditor General.

In addition, there are a number of audit requirements of various bonded debt obligations. To the extent possible, it is the express intent of the Board and the Constitutional Officers of Palm Beach County that duplication of effort during the audit engagements be avoided and that all audit requirements be encompassed into the countywide audit to the fullest extent possible.



The audits described herein shall include procedures designed to detect errors and irregularities which would have a material effect on the financial statements. To the extent that the Auditors detect such material errors and irregularities they will be promptly reported in writing to the County Administrator and appropriate Constitutional Officer, or higher level Officer, if appropriate.

County expressly permits Auditor to consult with the Auditor General of the State of Florida and the federally designated "Cognizant Agency" on any matter pertaining to the Audit which in the judgment of the Auditor would be important to the conduct of its examination or its report on the results hereof.

### **III. Additional Services**

If during the contractual period covered by the agreement, additional services, such as grant (above the requirements of the Single Audit Act of 1984, Single Audit Act Amendments of 1996, or the State Auditor General related to state grant-in-aid appropriations) or operational audits, preparation of bond issues, or management advisory services are needed, the accounting firm may, at the option of the Board of County Commissioners, be engaged to perform these services under the terms of the contract.

The successful accounting firm or firms are required to submit rates for additional audit services and they will be included in the contract. Additional services that are anticipated to equal or exceed \$10,000 will require approval of the Board. Services anticipated to cost less than \$10,000 may be approved by the Director of OFMB.

### **IV. Schedule**

#### **A. Field Work**

For the first year of the engagement, planning of the audit field work should commence immediately after the execution of a professional services agreement between the Board and the accounting firm. Field work should be scheduled in a manner that will allow for completion and submittal of the final reports in accordance with the deadline dates, as well as the Palm Beach County Year End Closing Calendar.

#### **B. Audit Report Deadline and Distribution**

The audit report on the CAFR and the draft management letter, are to be completed each year no later than the last work day in the month of March. The Auditor General's Report and the management letter, including administrative responses, shall be delivered to County Administration in final form by April 30. The Grants Audit to be performed under the Single Audit Act of 1984, Single Audit Act Amendments of 1996 and Florida Statute 216 shall be delivered in final form by April 30. For all other reports, the deadline is March 31.

The audits must be completed in the time frame set forth above. Extensions for time of completion may be allowed for good cause by the County only if extensions are allowed by Florida Statutes. In any case, time is of the essence. Auditor is aware that Florida Laws provide substantial penalties against Counties which do not comply with the Local Government Financial Responsibility Act (F.S. 11.45).

County understands that the support personnel and other assistance described in Section VIII of the request for Proposals are essential to the timely completion of the audit and agrees to provide all reasonably requested assistance. Failure to provide the assistance agreed to by the Auditor and the County or appropriate Constitutional Officer at the commencement of or during audit field work shall be cause for extension of deadlines set forth in this section and/or additional compensation to the Auditor at the average hourly rate stipulated in Exhibit C.

Auditor understands and agrees that County may issue audited financial statements with Auditor's opinion thereon separately from the Auditor's management letter comments.

Separate audit exit conferences for discussion of audit findings will be held with the County Administrator, Internal Auditor and Clerk & Comptroller's Chief Financial Officer for management letter comments pertaining to Board operations and with each Constitutional Officer for comments relating to their respective offices prior to submission of the final management letters. All printing and reproduction costs incurred shall be borne by the auditor.

### **C. Working Papers**

For a period of three (3) years after completion of any work provided herein, the auditor's working papers shall be retained. The Board or Constitutional Officers and their representatives shall be entitled, at any time during such three (3) year period, to inspect and reproduce such documents deemed necessary

**Exhibit C**

**Schedule For Payment And Proposed Budget  
For Audit Services**

**FY 2009 \$741,000**

**FY 2010 \$778,000**

The AUDITOR may invoice the COUNTY for work performed under this agreement for FY 2009 and the succeeding year as follows:

- 15% on August 31
- 15% on September 30
- 15% on October 31
- 15% on November 30
- 15% on December 31
- 15% on January 31
- 10% on April 30

The Auditors final invoice for each fiscal year shall indicate the hours worked by the several classes of professional levels of the firm and a distribution of the total fee to the Water Utilities, Airport, each Constitutional Officer and the Board and Single Audit Act Area.

It is expressly understood that any incidental or out-of-pocket costs incurred by the AUDITOR are covered by the total annual compensation and are not to be billed separately.

The AUDITORS rate to be used to determine any price adjustments under Article 26 MODIFICATIONS OF WORK for the FY 2006 audit will be following hourly rates:

Partner	\$300
Director	\$260
Manager	\$175
Senior Associate	\$120
Associate	\$100

For subsequent fiscal years the hourly rate(s) will increase 5% per year.