

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

5E-1

AGENDA ITEM SUMMARY

Meeting Date: September 11, 2012

Consent
 Workshop

Regular
 Public Hearing

Department: Office of Financial Management & Budget

I. EXECUTIVE BRIEF

Motion and Title: Staff requests Board direction on policy for mandatory rotation of external auditors.

Summary: In December, 1991 the Board approved a mandatory rotation policy for external auditors that prevents the current auditors from competing for the next contract. Auditing contracts have historically lasted seven years (an initial term of three years followed by up to four years of extensions.) The County is in the last year of its current audit contract and staff, working with the Constitutional Officers, is beginning the RFP process. Board direction is needed to determine if this policy should be changed to allow McGladrey & Pullen (current auditors) to compete for the contract again. Countywide (PFK)

Background and Policy Issues: In June, 2006 the County entered into a three-year contract with McGladrey & Pullen to audit the County's financial statements for fiscal years 2006, 2007 and 2008. Two additional two-year option periods were approved with the FY 2012 audit being the final year under the contract. The mandatory rotation policy was noted in the RFP, stating that the successful proposer should not expect to be selected for audit services for the immediately subsequent contract period.

Staff has begun the process of preparing an RFP for audit services beginning with FY 2013 and is requesting direction regarding the existing mandatory rotation policy.

Much has been written, both for and against, the concept of mandatory rotation of auditors. Proponents of mandatory rotation believe auditor independence issues may arise when there is a long-term relationship between the auditor and the client. It can also be argued that new auditors provide a fresh look at the client's financial statements. Opponents cite the loss of institutional knowledge of the current auditors and the costly learning curve that exists with new auditors.

Broward and Miami-Dade counties have a mandatory rotation policy. Orange and Hillsborough counties do not have such a policy, but Orange County has a preference for change after ten years.

The Government Finance Officers Association (GFOA) in its Best Practice – Audit Procurement states that "ideally, auditor independence would be enhanced by a policy requiring that the independent auditor be replaced at the end of the contract." It goes on to say, however, that "the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a mandatory rotation policy counterproductive." In such cases the GFOA recommends that the government "actively seek the participation of all qualified firms, including the current auditors." During the last round of proposals in 2006, two firms responded.

Attachments: None

Recommended by:

Elizabeth Brasher
Department Director

8/20/12
Date

Approved By:

Bob Williams
County Administrator

8/29/12
Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years:	2012	2013	2014	2015	2016
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT	None 0	None	None	None	None

ADDITIONAL FTE POSITIONS (Cumulative) _____

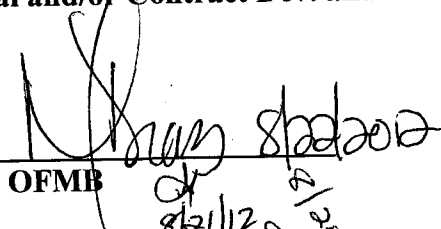
Is Item Included In Current Budget? Yes ___ No ___

Budget Account No: Fund ___ Agency ___ Org. ___ Object ___

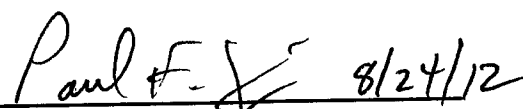
B. Recommended Sources of Funds/Summary of Fiscal Impact:
~~0~~ There is no fiscal impact associated with this agenda item.

III. REVIEW COMMENTS

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


 _____ OFMB 8/21/12 8/22/12
N/A
Contract Dev. and Control

B. Legal Sufficiency:


 _____ 8/24/12
 Assistant County Attorney

C. Other Department Review:

 Department Director