

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date:	October 16, 2012	<input checked="" type="checkbox"/> Consent	<input type="checkbox"/> Regular
		<input type="checkbox"/> Ordinance	<input type="checkbox"/> Public Hearing
Department:	Department of Economic Sustainability		
Submitted For:	Housing Finance Authority of Palm Beach County		

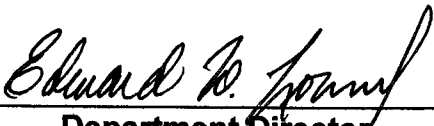
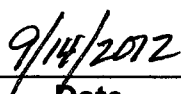


I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: a Contract for Audit Services between the Housing Finance Authority of Palm Beach County, Florida (Authority), and Caler, Donten, Levine, Cohen, Porter & Veil, P.A (CDL).

Summary: The Authority was established by the Board of County Commissioners (BCC) in 1979 in accordance with Part IV, Chapter 159, Florida Statutes. Section 2-189 of the Palm Beach County Code of Ordinances, as amended, requires that all contracts of the Authority for the purchase of goods and services in excess of \$10,000 be approved by the BCC. This Contract sets forth the terms under which CDL will provide audit services to the Authority. CDL was selected by the Authority to provide audit services pursuant to a public Request for External Audit Services process on August 14, 2009. The Contract provides for an initial three (3) year term and up to two (2) successive three (3) year renewals. The initial Contract was approved by the BCC on October 6, 2009, and this first renewal Contract was entered into by the Authority on September 14, 2012, subject to approval by the BCC. No Match from County General Funds is required. (HFA of PBC) Countywide (PFK)

Background and Justification: Approval of the above by the BCC constitutes the approval required by Palm Beach County Code Section 2-189, as amended.

Attachments:
1. Contract for Audit Services

Recommended By:		
	Department Director	Date
Approved By:		
	Assistant County Administrator	Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2013	2014	2015	2016	2017
Capital Expenditures					
Operating Costs	0				
External Revenues	0				
Program Income					
In-Kind Match (County)					
NET FISCAL IMPACT	0 *				

# ADDITIONAL FTE POSITIONS (Cumulative)					
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Is Item Included In Current Budget? Yes _____ No X

Budget Account No.:

B. Recommended Sources of Funds/Summary of Fiscal Impact: N/A

* All costs will be borne by the Housing Finance Authority.
No fiscal impact to Palm Beach County.

C. Departmental Fiscal Review: N/A

III. REVIEW COMMENTS

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

OFMB [Signature] 9/19/2012
9/18/12 9/27/12
Contract Development and Control [Signature] 9/27/12

B. Legal Sufficiency:

[Signature] 10/1/12
Assistant County Attorney

C. Other Department Review:

Department Director



CALER, DONTEN, LEVINE,
COHEN, PORTER & VEIL, P.A.

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MARK D. VEIL, CPA

August 6, 2012

Mr. David Brandt, Executive Director
Housing Finance Authority of
Palm Beach County, Florida
West Palm Beach, Florida

We are pleased to confirm our understanding of the services we are to provide for the Housing Finance Authority of Palm Beach County, Florida (the "Authority"), for the years ending September 30, 2012 through 2014. In addition to the terms and provisions set forth herein, our services will be performed in accordance with the terms and provisions of the Request for External Audit Services issued by the Authority on May 2, 2009 (the "RFP"). We will audit the basic financial statements of the Authority as of and for each of the years ending September 30, 2012 through 2014. We will also audit each of the Single-Family mortgage revenue bond issues and Multi-Family mortgage revenue bond issues (the "Issues") outstanding as directed by the Authority's Audit Committee during the years ended September 30, 2012 through 2014.

Audit Objectives

The objective of our audit is the expression of opinions as to whether the Authority's basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of supplementary information as detailed in the Audit Procedures – General section of this engagement letter, when considered in relation to the financial statements taken as a whole. The audit objectives also include reporting on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of the Chairperson, members and management of the Authority, Palm Beach County, Florida, and the Auditor General for the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with generally accepted auditing standards established by the U.S. Auditing Standards Board and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Chapter 10.550, Rules of the Auditor General; and other procedures we consider necessary to enable us to express such an opinion and render the required reports. If our opinion on the financial statements is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason determined by us, we are unable to complete the audit or are unable to or have not formed opinions, we may decline to express an opinion or to issue a report as a result of this engagement.

Management Responsibilities

Management of the Authority ("Management") is responsible for the Authority's financial statements and all accompanying information as well as all representations contained therein. We will assist with preparation of the Authority's financial statements, related notes, and supplementary information. Management is responsible for making all management decisions and performing all management functions relating to the Authority's

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financial statements, related notes, and supplementary information and for accepting full responsibility for such decisions. Management will be required to acknowledge in the written representation letter our assistance with preparation of the Authority's financial statements and that Management has reviewed and approved the financial statements, related notes, and supplementary information prior to their issuance and have accepted responsibility for them. Further, Management is required to designate an individual with suitable skill, knowledge, or experience to oversee any non-audit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them. We understand that the Authority has designated Mr. David Brandt, Executive Director, to oversee all our services.

Management is responsible for establishing and maintaining internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. Management is responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the Authority and the respective changes in financial position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that Management is reliable and financial information is reliable and properly recorded. Management is also responsible for providing us with (1) access to all information of which Management is aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. Management's responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written 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.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Authority involving (1) Management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management's responsibilities include informing us of their knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, grantors, regulators, or others. In addition, Management is responsible for identifying and ensuring the Authority complies with applicable laws, regulations, contracts, agreements, and grants.

Management is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. Management agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Management's responsibilities include acknowledging to us in the written representation letter that (1) Management is responsible for presentation of the supplementary information in accordance with GAAP; (2) Management believes the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior year (or, if they have changed, the reasons for such changes); and (4) Management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

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Management is responsible for the establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. Management is also responsible for providing Management's views on our current findings, conclusions, and recommendations, as well as Management's planned corrective actions, for the report, and the timing and format for providing that information.

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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements. 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 from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the Authority or to acts by Management or employees acting on behalf of the Authority. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform Management of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform Management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the year 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 direct confirmation of cash, investments and certain other assets and liabilities by correspondence with selected individuals, creditors, funding sources 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 Management about the financial statements and related matters.

Our audit will be conducted in accordance with the standards referred to in the section titled Audit Objectives. U.S. generally accepted accounting standards provide for certain required supplementary information (RSI), such as Management's discussion and analysis (MD&A), to accompany the Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Authority's RSI. These limited procedures will consist principally of inquiries of Management regarding the methods of preparing the information and comparing the information for consistency with Management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The Management's Discussion and Analysis is the only RSI required by U.S. generally accepted accounting principles.

We have also been engaged to report on supplementary information other than RSI that accompanies the Issues' financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the Issues' financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards and will provide an opinion on it in relation to the financial statements as a whole: 1) Schedule of Administrative Expenses and Combining Schedule of Cash Flows by trust account in the Single-Family bond issue and 2) Combining Schedule of Bonds Payable and of Revenue Bonds Maturity in the Multi-Family bond issues.

We will also issue the reports required by Chapter 10.550 of the Rules of the Auditor General of the State of Florida.

Audit Procedures – Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. 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. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to Management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards* and Chapter 10.550, Rules of the Auditor General.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with applicable laws, regulations, 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* and Chapter 10.550, Rules of the Auditor General.

Audit Administration, Fees and Other Matters

We understand that Authority employees will prepare all cash or other confirmations requested and will locate any invoices selected by us for testing. Jim Hutchison is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Subject to the requirements of Florida Public Records Law encoded in Chapter 119, Florida Statutes, and other like statutes pertaining to public bodies, the audit documentation for this engagement is the property of Caler, Donten, Levine, Cohen, Porter & Veil, P.A. ("CDL") and constitutes confidential information. However, we may be requested to make certain audit documentation available to a grantor or other agency pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided

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under the supervision of CDL personnel. Furthermore, upon request, we may provide photocopies of selected audit documentation to a grantor or other agency. That agency may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies. In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you agree, so long as we are not a party to the proceeding in which the information is sought, to reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such a request. We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. In that regard, we may share confidential information about the Authority with these service providers but we will remain responsible for the work provided by such third-party service providers. The audit documentation for this engagement will be retained for a minimum of five years after the date of the auditor's report in accordance with CDL's document retention policies or for any additional period requested in writing by a government agency, after which it will be destroyed. By your signature below, you acknowledge and agree that CDL is free to destroy all records related to this engagement in accordance with our document retention policy.

Our fee for these services for the September 30, 2012 through 2014, audits are included in Attachment A.

The invoices for our fees will be rendered 75% as work begins and 25% payable upon presentation of the reports. 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 additional time is necessary for our assistance to complete audit schedules, the application of new standards, or other unexpected circumstances, we will perform the necessary procedures and bill you for the additional time. Our engagement ends on the date we deliver the audit reports to the Authority, unless circumstances described earlier cause us not to issue a report. Any follow-up services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new engagement letter for that service.

For the audits of the 2004-1 Single-Family issue and the Multi-Family issues, the Authority reserves the right to direct us to not perform such audits, and no payment shall be due in respect thereto by giving us notice to such affect prior to October 1 of each year.

Parties to this engagement agree that any dispute that may arise regarding the meaning, performance, or enforcement of this engagement will be submitted to mediation upon written request of any party to the engagement. The party requesting mediation shall select the mediation provider from the list of mediation training providers approved by the Florida Supreme Court. The mediation shall be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association or such other rules as may be agreed upon by the parties. The results of this mediation shall not be binding upon either party. Costs of any mediation proceeding shall be shared equally by both parties. The venue for any legal proceedings shall be Palm Beach County, Florida, and this agreement shall be governed by the laws of the State of Florida.

Our audit is intended for the benefit of the Authority. The audit will not be planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. If you intend to publish or otherwise reproduce the financial statements together with our report (or otherwise make reference to our Firm) in a document that contains other information, you agree to provide us with a draft of the document to read and comment on before it is printed and distributed. Furthermore, you agree that the terms of this engagement do not encompass an undertaking by us (1) to consent, by means of separate letter or otherwise, to the inclusion of our auditor's report on the financial statements referred to above in a filing with a Federal or state regulatory agency or otherwise reissue our report for purposes of a securities offering or other financing transaction, or (2) to acknowledge reliance on our report by others. Notwithstanding the foregoing, we acknowledge that the financial statements are public records and that our consent or advance review is not

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required for the Authority to include the financial statements, or excerpts therefrom, in official statements or other offering documents relating to bonds issued by the Authority.

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report. Our 2009 peer review report was provided to you previously. Our 2012 peer review is scheduled for October 2012. We will provide you a copy of that report when it is received.

With regard to the electronic dissemination of the audited financial statements, including financial statements published electronically on a website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document. Further, you hereby authorize CDL to electronically submit to your employees or to others as you may request or as may be necessary to perform our engagement, any financial statements, workpapers, and other information related to our services under this agreement. By your signature below, you acknowledge and agree to hold CDL harmless from any damages that might be caused by the electronic transmission or submission of this data.

This engagement letter reflects the entire agreement between us relating to the services covered by this letter. It replaces and supersedes any previous proposals (except as set forth in the first paragraph of this letter), correspondence and understandings, whether written or oral. If any portion of this agreement is held to be void, invalid or otherwise unenforceable, in whole or in part, the remaining portions of this agreement shall remain in effect. The agreements of the Authority and Caler, Donten, Levine, Cohen, Porter & Veil, P.A. contained in this engagement letter shall survive the completion or termination of this engagement. This agreement may be extended for an additional three year term by mutual consent of both parties as specified in the RFP.

We acknowledge that we continue to meet the minimum requirements set forth in Part II of the RFP and that we will maintain the insurance required by Section 1.14 of the RFP during the term of this engagement letter. We understand that this engagement letter shall not take effect until it is approved by the Board of County Commissioners of Palm Beach County.

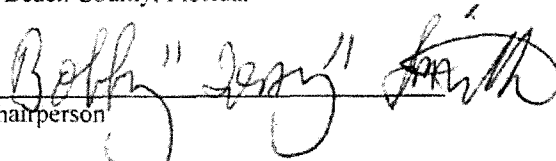
We appreciate the opportunity to be of service to the Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Caler, Donten, Levine,
Cohen, Porter & Veil, P.A.*

Caler, Donten, Levine,
Cohen, Porter & Veil, P.A.

RESPONSE: The services and terms set forth in this letter are agreed to by the Housing Finance Authority of Palm Beach County, Florida.

By: 
Chairperson

Fee Schedules

Rates include all expenses, including but not limited to, travel related expenses, meal allowances, hotel rooms, and any other relevant out of pocket expenses, as well as vehicles, electronics, communications equipment, and any other equipment, facilities, or infrastructure necessary to carry out the task.

FINANCIAL STATEMENT AUDIT FY ENDING SEPTEMBER 30, 2012:

POSITION	EST. TOTAL HOURS	PROPOSED HOURLY RATE	EXTENDED COST
Partners	40	\$ 290	\$ 11,600
Managers	20	\$ 190	\$ 3,800
Supervisory Staff	90	\$ 150	\$ 13,500
Staff	90	\$ 140	\$ 12,600
Adjustment			\$ (9,265)
PROPOSED TOTAL FIXED FEE:			\$ 32,235

PROPOSED ANNUAL PERCENTAGE (%) ADJUSTMENTS FOR FINANCIAL STATEMENT AUDITS FOR:

FY ENDING September 30, 2013: 3%
FY ENDING September 30, 2014: 3%

The above hours are based upon average actual hours spent over the past couple of years. Rates are adjusted based upon previous agreed-upon rates. The adjustment is the estimated amount to be written off to agreed-upon audit fee.

SINGLE FAMILY MORTGAGE REVENUE BOND AUDIT FY ENDING SEPTEMBER 30, 2012:

POSITION	EST. TOTAL HOURS	PROPOSED HOURLY RATE	EXTENDED COST
Partners	5	\$ 300	\$ 1,500
Managers	10	\$ 200	\$ 2,000
Supervisory Staff	30	\$ 160	\$ 4,800
Staff	30	\$ 150	\$ 4,500
Adjustment			\$ (3,184)
PROPOSED TOTAL FIXED FEE FOR ALL SINGLE FAMILY ISSUES*:			\$ 9,616

As of August 6, 2012, one issue is outstanding.

*Add or delete \$3,060 for each new bond issue or redeemed/cancelled bond issue.

PROPOSED ANNUAL PERCENTAGE (%) ADJUSTMENTS FOR SINGLE FAMILY MORTGAGE BOND AUDITS FOR:

FY ENDING September 30, 2013: 3%
FY ENDING September 30, 2014: 3%

The above hours are based upon average actual hours spent over the past couple of years. Rates are adjusted based upon previous agreed-upon rates. The adjustment is the estimated amount to be written off to agreed-upon audit fee.

MULTI-FAMILY MORTGAGE REVENUE BOND AUDIT FY ENDING SEPTEMBER 30, 2012:

POSITION	EST. TOTAL HOURS	PROPOSED HOURLY RATE	EXTENDED COST
Partners	20	\$ 315	\$ 6,300
Managers	20	\$ 210	\$ 4,200
Supervisory Staff	120	\$ 170	\$ 20,400
Staff	120	\$ 160	\$ 19,200
Adjustment			\$ (8,686)
PROPOSED TOTAL FIXED FEE FOR ALL MULTI-FAMILY ISSUES*:			\$ 41,414

As of August 6, 2012, twenty-five issues are outstanding.

*Add or delete \$1,300 for each new bond issue or redeemed/cancelled bond issue.

PROPOSED ANNUAL PERCENTAGE (%) ADJUSTMENTS FOR MULTI-FAMILY MORTGAGE REVENUE BOND AUDITS FOR:

FY ENDING September 30, 2013: 3%
FY ENDING September 30, 2014: 3%

The above hours are based upon average actual hours spent over the past couple of years. Rates are adjusted based upon previous agreed-upon rates. The adjustment is the estimated amount to be written off to agreed-upon audit fee.