

Agenda Item #:

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

ADD-ON

Meeting Date: **October 20, 2015** ☐ **Consent** ☒ **Regular**
 ☐ **Ordinance** ☐ **Public Hearing**
Department: **Office of Financial Management & Budget**

I. Executive Brief

Motion and Title: Staff recommends motion to approve:

- A. Additional Services Authorization #4 to the Contract for External Auditing Services dated March 12, 2013 (Resolution/Document #R-2013-0347), with McGladrey LLP (Auditor), for additional services to provide a High Spend analysis and a Budget Comparison to Peers analysis.
- B. Budget transfer of \$48,000 in the General Fund from Contingency for this item.

Summary: This authorization will allow the County's external Auditor, McGladrey LLP, to perform an analysis of County spending, to see if opportunities exist for savings within specific funds (General Fund, Palm Tran Fund, County Transportation Trust Fund, Fleet Fund, and Risk Management Fund), to provide comparisons to peer counties, and make recommendations to assist in making informed decisions that will improve efficiency and effectiveness. The budget transfer will establish the budget of \$48,000 from contingency for this item. **Countywide (PFK)**

Background and Justification: Staff is reviewing the County's infrastructure needs. A Sales Surtax is a possible option to raise funds. This authorization will allow an outside review of expenses for possible efficiency and effectiveness improvements. McGladrey has been the County's Auditor since 2006; however, current auditing staff of McGladrey will not be performing the analyses. It will be performed by the Management Consulting division.

Attachments:

1. Additional Services Authorization
2. Statement of Work
3. Budget Transfer – Fund 0001

Recommended by: Elizabeth Green 10/13/15
Department Director Date

Approved By:  10/14/10
County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital Expenditures	_____	_____	_____	_____	_____
Operating Costs	<u>48,000</u>	_____	_____	_____	_____
External Revenues	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In-Kind Match (County)	_____	_____	_____	_____	_____
NET FISCAL IMPACT	<u>48,000</u>	_____	_____	_____	_____
No. ADDITIONAL FTE POSITIONS (Cumulative)	_____	_____	_____	_____	_____

Is Item Included In Current Budget? Yes _____ No X _____
Budget Account No.: Fund 0001 Department 760 Unit 7628
Object 3101 Reporting Category _____

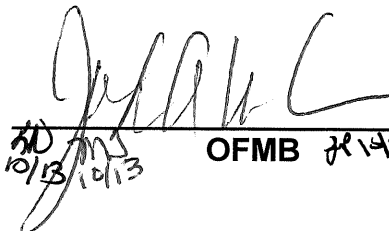

B. Recommended Sources of Funds/Summary of Fiscal Impact:

General Fund Contingency will be used to fund this service.

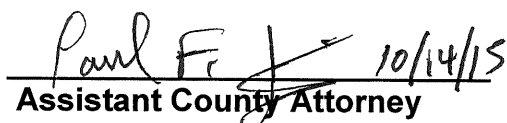
C. Departmental Fiscal Review: _____

III. REVIEW COMMENTS

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

 10/13/15 OFMB 10/14/15 10/14/15
 10/14/15
Contract Dev. and Control

B. Legal Sufficiency:

 10/14/15
Assistant County Attorney

C. Other Department Review:

Department Director

REVISED 9/03
ADM FORM 01

(THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.)

ADDITIONAL SERVICES AUTHORIZATION

BUDGET LINE ITEM: 0001-760-7628-3101

THIS AUTHORIZATION # 4, to the Contract for External Auditing Services dated March 12, 2013 (Resolution/Document #R-2013-0347), between Palm Beach County and the Auditor identified herein, is for the Additional Services described in Item 3 of this Authorization.

1. **Auditor:** McGladrey & Pullen, LLP
2. **Address:** 1555 Palm Beach Lakes Blvd, Suite 1400, West Palm Beach, FL 33401
3. **Description of Services to be provided by the Auditor:**

To provide services for a High Spend Analysis and Budget Comparisons to Peers analysis as described in the Statement of Work as attached.
4. Auditor shall begin work promptly on the requested services.
5. Compensation for Auditor's Services shall not exceed \$48,000.
6. This Authorization may be terminated by the County without cause or prior notice. In the event of termination not the fault of the Auditor, the Auditor shall be compensated for all service performed through the date of termination, together with reimbursable expenses (if applicable) then due.
7. EXCEPT AS HEREBY AMENDED, CHANGED OR MODIFIED, all other terms, conditions and obligations of the Contract dated March 12, 2013 remain in full force and effect.

IN WITNESS WHEREOF, this Authorization is accepted, subject to the terms, conditions and obligation of the aforementioned Contract.

AUDITOR:

Firm: McGladrey & Pullen, LLP

Signed: Frank C. Colpiani

Typed Name: Frank Colpiani

Title: Partner

Dated: 10-14-15

ADDITIONAL SERVICES AUTHORIZATION

BUDGET LINE ITEM: 0001-760-7628-3101

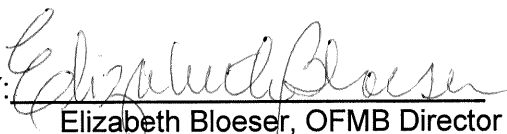
PALM BEACH COUNTY, FLORIDA BY ITS
BOARD OF COMMISSIONERS

BY: _____
Shelley Vana, Mayor

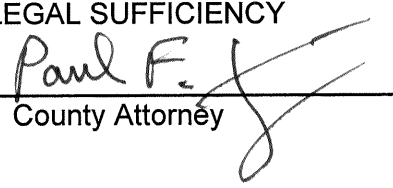
ATTEST:
Sharon R. Bock, Clerk & Comptroller
Circuit Court

BY: _____
Deputy Clerk

APPROVED AS TO TERMS
AND CONDITIONS:

BY: 
Elizabeth Bloeser, OFMB Director

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY

BY: 
County Attorney

STATEMENT OF WORK

This Statement of Work dated October 8, 2015, is entered into by and between Palm Beach County ("County," "Client," "you" or "your") and McGladrey LLP ("McGladrey," "we," "us" or "our") pursuant to Article 29, Modifications of Work, in the Audit Contract dated January 14, 2013, all of the terms of which are hereby incorporated herein by reference. Our services will be performed with reasonable care in a diligent and competent manner. Except in the case of our gross negligence or intentional misconduct, our total liability to you relating to this assignment will in no event exceed the amount of fees paid to us.

A. Project Name

High Spend Analysis and Budget Comparisons to Peers

Our work will be to assist and advise you with this project; as stated below and for clarity, we will not, nor does Client desire us to, perform any management functions, make management decisions, or otherwise perform in a capacity equivalent to that of an employee or officer of Client.

B. Objectives

Palm Beach County has a strategic goal to further fund infrastructure projects. Before you evaluate potential options to raise funds to do so, you would like to prudently understand how efficiently you are making use of your current budget relative to selected peer counties. You would also like to have performed, a high-level analysis of spend, to see if opportunities exist for savings within selected County funds. The roadmap report should include observations and insight on comparisons to selected peers and recommendations to assist in making informed decisions that will improve future efficiency and effectiveness.

C. Assumptions

The following peer counties have been selected for inclusion in the comparison: Broward, Hillsborough, Miami-Dade, and Orange. The County will assist in obtaining appropriate input and cooperation from the selected peer organizations in the event desired data is not readily available publicly.

High spend analysis will not include comparison to peers.

Our timeline assumes the timely delivery of budget and raw spend data from the County for the prior three years. This data is assumed to be presented in a usable electronic format with spend data at the invoice line level free of any defects or anomalies.

Our consultants will primarily work off-site during the engagement with one to two anticipated on-site visits. Status reports and deliverable review steps will be performed off-site leveraging conference calls/online tools.

D. Services and Scope

The following County funds are in scope: General Fund, Palm Tran Fund, County Transportation Fund, Fleet Fund, and Risk Management Fund.

We will perform a high-spend analysis and will develop budget comparisons against four selected peer counties. Tasks and deliverables are outlined below.

Task	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8
Launch								
Data Collection								
Project Kick Off to confirm plan and project schedule								
Project management and status reporting								
Discover								
High Spend Analysis								
Perform data clean up and normalization								
Confirm data and understanding with PBC project team								
Classify spend into categories								
Normalize suppliers								
Perform high-level trending and analysis								
Budget Comparison to Peers								
Identify key budget categories and key metrics for comparison								
Draft comparison matrix								
Confirm comparison matrix with PBC project team								
Normalize peer budget categories and key metrics								
Populate comparison matrix								
Perform trending and analysis								
Roadmap								
Draft initial observations & recommendations								
Review initial draft with executive sponsors								
Incorporate feedback								
Develop final roadmap report								
In person final report delivery								

Our roadmap deliverable will contain the following:

- High-spend Analysis
 - Spend categorization view
 - Supplier normalization with top supplier view
 - High-level efficiency and/or savings opportunity areas
 - High-level recommended prioritization of opportunity areas and next steps
- Budget Comparison to Selected Peers

- Peer comparison matrix
- Observations about key budget trends and metrics for the County compared to the peer group
- Recommendations for improvement opportunities in selected areas and potential next steps

E. Fees

Our goal is to provide high-quality, reliable service at reasonable fees. The total estimated amount for this Statement of Work is \$48,000.

Travel time (if applicable) will be billed at 50 percent of our standard hourly rates and is included in the estimated fees. The fees quoted in this Statement of Work will remain valid for 60 days from the date of issuance.

You acknowledge that this is our good faith estimate based upon our understanding of the engagement assumptions and the facts and circumstances we are aware of at this time. If the basis of our estimates is inaccurate, the fees and expenses may be different from those we each anticipate.

Fees for services of this type are always difficult to estimate. If circumstances are encountered that affect our ability to proceed according to the plan outlined above, such as major scope changes, loss of key Client personnel, unavailable information or undetermined or requested scope changes during our scoping efforts, we will inform you promptly and seek your approval for any changes in scope, timing or fees that may result from such circumstances.

F. Client Acceptance of Work

At the conclusion of each phase of work, we will review with you the intended scope of work and deliverables agreed upon in this Statement of Work to confirm we have met the defined project expectations. If you believe the deliverables do not conform, you will notify us in writing within 30 days of receiving the deliverables that they do not conform. We will then have a reasonable period of time, based upon its severity and complexity, to correct the non-conformance. If you use the deliverables before acceptance, or if you fail to notify us of the non-conformance within the 30-day period, the deliverables will be considered accepted.

G. Timeline/Staffing

We anticipate completing this project within six to eight weeks from the start date in order to meet your desired completion by middle December, 2015. Ultimately, the timing of the project will be based on a mutually agreed upon start-date and with receipt of sufficient budget and spend data from the County.

Steve Mermelstein will be responsible for all services provided to Client pursuant to this Statement of Work. Other professionals at the necessary skill and experience level may be called upon to assist in the project as appropriate. While we will attempt to comply with your request for certain individuals, we retain the right to assign our personnel, as we deem appropriate, to perform the services.

Steve Mermelstein would serve as the overall project manager as it relates to the use of McGladrey resources.

H. Other Provisions Mutually Agreed to by the Parties

You have informed us that future audits of Client may be performed in accordance with "Government Auditing Standards" (GAS) issued by the Comptroller General of the United States. GAS requires that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to an existing GAS audit client or an entity for which we may be asked to provide future audit services under GAS standards, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit service to be performed. Client has agreed to designate an individual who possesses suitable skill, knowledge, or experience and that the individual understands the services to be performed sufficiently to oversee them.

Accordingly, the management of Client agrees to the following:

1. Client has designated Verdenia Baker, County Administrator, a senior member of management, who possesses suitable skill, knowledge, and experience to oversee the services
2. Verdenia Baker, County Administrator, will assume all management responsibilities for subject matter and scope of the services
3. Client will evaluate the adequacy and results of the services performed
4. Client accepts responsibility for the results and ultimate use of the services

GAS further requires we establish an understanding with the management (and those charged with governance) of Client of the objectives of the non-audit service, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities, and any limitations of the non-audit service. We believe this letter documents that understanding.

In response to your specific request(s), we may provide you with routine support services that are not the subject of a separate Statement of Work. Our fees for such services will be based on the time required for the work performed at our standard rates, plus out-of-pocket expenses. Significant additional projects will be the subject of mutually agreed, separately executed Statements of Work. Unless the subject of a separate Statement of Work, all additional services rendered to you will be subject to the terms of this Statement of Work, including the Master Services Agreement under which it is issued.

2016 -

0086

BOARD OF COUNTY COMMISSIONERS
PALM BEACH COUNTY, FLORIDA
BUDGET TRANSFER

Fund 0001 - GENERAL FUND

BGEX 420 101315*98

ACCOUNT NAME AND NUMBER	ORIGINAL BUDGET	CURRENT BUDGET	INCREASE	DECREASE	ADJUSTED BUDGET	EXPENDED/ ENCUMBERED	REMAINING BALANCE
<u>Expenditures</u>							
820-9900-9901 Contingency	20,775,190	20,775,190	0	48,000	20,727,190		20,727,190
760-7628-3101 Professional Services	0	0	48,000	0	48,000		48,000
<hr/>							
TOTAL APPROPRIATIONS & EXPENDITURES			48,000	48,000	0		

Office of Financial Management & Budget

Signatures & Dates

BY BOARD OF COUNTY COMMISSIONERS

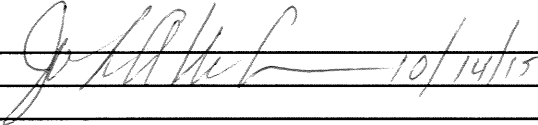
AT MEETING OF

October 20, 2015

Deputy Clerk to the

Board of County Commissioners

INITIATING DEPARTMENT/DIVISION
Administration/Budget Department Approval
OFMB Department - Posted

 10/14/15