

**PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS**

**AGENDA ITEM SUMMARY**

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<b>Meeting Date:</b>	<b>December 4, 2018</b>	<input checked="" type="checkbox"/> Consent	<input type="checkbox"/> Regular
		<input type="checkbox"/> Ordinance	<input type="checkbox"/> Public Hearing
<b>Department:</b>	<b>Department of Housing &amp; Economic Sustainability</b>		
<b>Submitted For:</b>	<b>Housing Finance Authority of Palm Beach County</b>		

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**I. EXECUTIVE BRIEF**

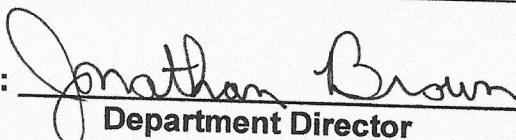
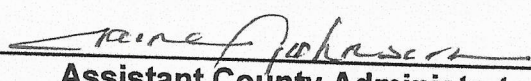
**Motion and Title:** Staff recommends motion to approve: an Engagement Letter for audit services between the Housing Finance Authority of Palm Beach County, Florida, and Caler, Donten, Levine, Cohen, Porter & Veil, P.A.

**Summary:** The Housing Finance Authority of Palm Beach County, Florida (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 requires that all contracts of the Authority for the purchase of goods and services in excess of \$10,000 shall be approved by the BCC. The Engagement Letter sets forth the terms under which Caler, Donten, Levine, Cohen, Porter & Veil, P.A., will provide audit services to the Authority beginning with an audit of the Fiscal Year ended September 30, 2018. Caler, Donten, Levine, Cohen, Porter & Veil, P.A., was selected by the Authority to provide audit services pursuant to a Request for Proposals process on October 12, 2018. The Engagement Letter provides for an initial three (3) year term and up to two (2) successive two (2) year renewals. The Engagement Letter was approved by the Authority on November 9, 2018, subject to BCC approval. Countywide (JB)

**Background and Justification:** The approval of the above by the BCC would constitute the approval required by Palm Beach County Code Section 2-189.

**Attachment(s):**  
1. Engagement Letter

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<b>Recommended By:</b>		<u>11/5/18</u>
	<b>Department Director</b>	<b>Date</b>
<b>Approved By:</b>		<u>11/27/18</u>
	<b>Assistant County Administrator</b>	<b>Date</b>



## II. FISCAL IMPACT ANALYSIS

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

Fiscal Years	2019	2020	2021	2022	2023
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income					
In-Kind Match (County)					
NET FISCAL IMPACT	*				
# ADDITIONAL FTE POSITIONS (Cumulative)					

Is Item Included In Current Budget?

Does this Item include the use of Federal funds? Yes X No       
Yes      No X

Budget Account No.:

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

C. \*Departmental Fiscal Review: All costs to be borne by the Housing Finance Authority. No fiscal impact to Palm Beach County

## III. REVIEW COMMENTS

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

Lisa PM 11/11/18  
OFMB  
9/21/18 11/9/18 11/18/18  
Dr. J. Jacobson 11/21/18  
Contract Development and Control

### B. Legal Sufficiency:

James Brub 11/21/18  
Assistant County Attorney

### C. Other Department Review:

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Department Director



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

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL J. NALEZYTY, CPA  
THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA

October 15, 2018

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, 2018 through 2020. 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 Proposal for External Audit Services issued by the Authority on September 14, 2018 (the "RFP"). We will audit the financial statements of the Authority, including the related notes to the financial statements, as of and for the years ending September 30, 2018 through 2020.

This engagement letter covers the audits of the Authority's financial statements as of and for the years ending September 30, 2018, 2019 and 2020. U.S. generally accepted accounting principles provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A) to supplement 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 who 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 (MD&A), in accordance with U.S. generally accepted auditing standards. These limited procedures will consist 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 obtain 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 Authority's MD&A is the only RSI required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

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

#### Audit Objectives

The objective of our audit is the expression of an opinion as to whether the Authority's financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Chapter 10.550, Rules of the Auditor General, and will include tests of the accounting records of the Authority and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of the Authority's financial statements. Our report will be addressed to the Board of the Authority. We cannot provide assurance that an unmodified opinion will be



expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion is other than unmodified, we will 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 form or have not formed an opinion, we may decline to express an opinion or issue a report, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Authority is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

#### **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 assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) 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 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 material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform management of violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to 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 require certain written representations from you about your

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responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by U.S. generally accepted auditing standards.

#### **Audit Procedures – Internal Controls**

Our audit will include obtaining an understanding of the Authority 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. Accordingly, we will express no such opinion. 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 the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit 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.

#### **Other Services**

We will also assist in preparing the financial statements and related notes of the Authority in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

#### **Management Responsibilities**

Management is responsible for designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. Management is also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information 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.

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Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. 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 include adjusting the financial statements to correct material misstatements and for 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 that the Authority complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other 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 other 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 for the timing and format for providing that information.

Management agrees to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. Management will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that management has reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, management agrees to oversee the nonaudit services by designating an individual, Mr. David Brandt, the Authority's Executive Director, who has suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

#### **Engagement Administration, Fees and Other Matters**

We understand that the Authority will prepare all cash or other confirmations requested and will locate any invoices selected by us for testing. Mark Veil is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. To ensure that our independence is not impaired under the AICPA Code of Professional Conduct, management agrees to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

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We will provide copies of our reports to the Authority; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Subject to the requirements of the Florida Public Records Law, Chapter 119, Florida Statutes, and other like statutes pertaining to governmental entities, the audit documentation for this engagement is the property of Caler, Donten, Levine, Cohen, Porter & Veil, P.A. ("CDL") and constitutes confidential information. Notwithstanding the foregoing, the confidentiality provisions of Section 473.316 and 473.318, Florida Statutes, shall apply and all documents referred to in Chapter 473 are recognized as exempt from Chapter 119, Florida Statutes, and CDL shall be under no obligation to provide their audit working papers and such other CDL records determined to be exempt from Chapter 119, Florida Statutes. However, subject to applicable laws and regulations, our audit documentation and appropriate individuals will be made available upon request and in a timely manner to any oversight entities, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to our audit documentation will be provided under the supervision of CDL personnel. Furthermore, upon request, we may provide selected copies of our audit documentation to a grantor or other agency. That agency may intend, or decide, to distribute the copies 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 reasonable 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 fees for the audit of the Authority's financial statements for the years ended September 30, 2018, 2019 and 2020 will be \$28,900, \$29,767 and \$30,660, respectively. The invoices for our fees will be rendered 75% as work begins and 25% payable upon presentation of the reports. If we incur less time at our standard hourly rates than the above quoted fees, we will only bill you for our actual time incurred. 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. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. We also reserve the right to require that any unpaid balance for the engagement be paid prior to delivery of the final audit reports. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. The Authority will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. Our fee is based on anticipated cooperation from the Authority and the assumption that there are no unexpected circumstances or new programs that require additional accounting assistance or significant auditing procedures or changes, such as new accounting or auditing standards, new major programs, or additional audit procedures resulting from internal control and other deficiencies, or other unexpected circumstances. If additional time is necessary for our assistance to complete audit schedules, the application of new standards, delays caused by the Authority in the scheduled audit fieldwork dates, or other unexpected circumstances, we will notify the Authority as soon as possible, and unless otherwise directed by

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the Authority within ten days of receipt of such notice, we will perform the necessary procedures and bill the Authority for the additional time at the hourly rates specified in our proposal. Our engagement ends on the date we deliver the audit reports to the Authority for the year ended September 30, 2018, 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.

CDL takes appropriate steps to secure all confidential client information on our computerized systems, however, the Authority is responsible for the security of all information when you transmit it to us, as well as the information retained by the Authority. The Authority is also responsible for the security of information management provides to us electronically using email or transmitted to us over the internet. The internet is an inherently public medium with multiple security concerns. Management understands that email is generally sent unencrypted and may be easily accessible by a party intercepting your communications. Because the nature of communications between the Authority and CDL may include sensitive and confidential financial information, management should take appropriate steps to utilize reasonable security features for transmitting the Authority's information to us. CDL will use its best efforts, consistent with our handling of all client accounts, to make the Authority's communications and files secure from unauthorized access. However, the Authority recognizes that no completely secure system for email, electronic documents or electronic data transfer has yet been devised. Accordingly, management acknowledges that they understand and agree to accept the limitations and risks associated with regular email and other electronic communications with CDL for the services we will provide. Furthermore, management hereby authorizes CDL to electronically submit to Authority employees or to others as management may request or as may be necessary to perform our engagement, any financial statements, schedules, and other information related to our services under this agreement. By your signature below, management acknowledges and agrees to hold CDL harmless from any damages that might be caused by the electronic transmission or submission of Authority information. Management also agrees to immediately contact and advise the CDL engagement partner with overall responsibility of our services, as named in this letter, if you believe either CDL or the Authority's computer systems, security or email accounts have been hacked or otherwise compromised, and CDL agrees to immediately contact and advise the Authority if CDL believes either CDL or the Authority's computer systems, security or email accounts have been hacked or otherwise compromised. Your signature below acknowledges that the Authority understands and agrees with these responsibilities.

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 either party. 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 does not contain the complete audit report for the Authority, 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. With regard to

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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.

*Government Auditing Standards* require that we provide you with a copy of our most recent quality control review report. Our 2015 peer review report was provided to you previously. Our 2018 peer review is scheduled in late 2018. We will provide you a copy of that report when it is received.

We are committed to assigning and maintaining the same “key” personnel to your engagement as specified in the RFP response we submitted to the Authority. If there is a need to change any “key” personnel on the engagement, we will consult with you and obtain your written approval prior to making such change. Further, this engagement may be terminated by either the Authority or CDL within 90 days after the completion and acceptance of any audited financial statements, by giving written notice to the other party.

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 1.13 of the RFP during the term of this engagement. We understand that this engagement letter shall not take effect until it is approved by the Board of County Commissioners of Palm Beach County.

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.

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.

Authorized Signature: \_\_\_\_\_

Title: \_\_\_\_\_

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