

1 **MINUTES OF THE SPECIAL MEETING** of the City Council of the City of Orange City, Florida,  
2 held on Wednesday, September 30, 2009 at 7:00 p.m. in Council Chambers, 201 N. Holly Avenue,  
3 Orange City.

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5 **CALL TO ORDER**

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7 The Meeting was called to order at 7:00 p.m. by Mayor Strickland and roll call was taken.

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9 **ROLL CALL**

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11 **PRESENT:** Mayor Harley Strickland; Vice Mayor Jeff Allebach; Council Members; Tom Laputka,  
12 Tom Abraham, Don Sherrill, Jim Mahoney; City Attorney William Reischmann; Interim City Manager  
13 Chester Murray, City Clerk Deborah Renner

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15 **ABSENT:** Council Member Paul Rasch

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17 **1. REVIEW RESPONSES TO AUDITOR RFP**

18  
19 Greg LeFils, 161 E. Rose Avenue, came forward. Council Member Mahoney referenced the proposal  
20 submitted by Holland & Reilly, page 16, which indicates that they have performed other work for the  
21 City for the year's ended 2001-2008. He questioned whether they would be "in a position to audit their  
22 own work" if they were chosen to serve as the City's auditor. Mr. LeFils said that he did not know what  
23 type of technical work the firm had done for the City. He said that it is not uncommon for accountants  
24 to consult with their peers regarding technical matters during the course of an audit, however, he could  
25 not speak to the nature of this particular relationship. Mr. LeFils questioned whether Mr. Reilly had  
26 received compensation from the City. He speculated that they may have helped the current auditors  
27 with issues that arose during the audit. Chester Murray, Interim City Manager, said that he did not  
28 recall authorizing payment to anyone other than the City's contracted auditor.

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30 Council Member Mahoney referenced page 9 of the David Logan proposal which refers to a publication  
31 by Practitioner's Publishing Company (PPC) for standards regarding statistical sampling. Mr. Logan  
32 stated in his proposal that they do not use statistical sampling in municipal audits. He asked Mr. LeFils  
33 to clarify how the PPC is used. Mr. LeFils responded that accountants often refer to PPC for assistance  
34 with "very complex issues" such as determining sampling size or determining materiality. He explained  
35 that PPC provides technical guidance in how to implement audits of all different types. Mr. LeFils  
36 clarified that the standards in the PPC guide are strictly opinions and that it has become "the industry  
37 standard" because of its wide use. Mr. LeFils discussed the process of sampling. He stated that  
38 sample sizes are generally around 25. The results of that sample will determine the next course of  
39 action. Vice Mayor Allebach suggested that 25 would not create a valid sample.

40  
41 Council Member Mahoney next referenced page 27 of the Averett Warmus Durkee proposal which  
42 discusses "computer risk." He asked Mr. LeFils if this is a "significant risk." Mr. LeFils discussed the  
43 process of auditing "through" the computer as opposed to auditing "around" the computer. He said that  
44 generally, in a city such as Orange City, auditing would be done "around" the computer. This means  
45 that findings will be based on the observation of actual business practices in the workplace. It does not  
46 test the logic and accuracy of the computer's processing of the data.

47  
48 Council Member Mahoney advised that he just received the summaries prepared by Mr. LeFils and Mr.  
49 Dempsey and he asked for clarification as to how the "weighting" was applied to fees. He cited several  
50 examples which contained substantial variations. Mr. LeFils discussed the process he employed in  
51 reviewing the proposals stating that it was based on the qualifications contained in the RFP document.

1 He noted that the requirements are fairly specific and suggested that the City “painted itself into a fairly  
2 small corner.” Mr. LeFils suggested that some of the qualities to be rated are “fairly subjective,” such as  
3 “professionalism of staff.” He expressed that the quality of staff doing the field work is more important  
4 than the support staff. He discussed the process he used for evaluating the staff to be assigned to the  
5 engagement. He said that the main factor he considered when rating the respondents was, “can they  
6 deliver?” He questioned whether a firm that was located a further distance away could be as responsive  
7 to the City’s needs. Mr. LeFils said that when evaluating the fees he grouped them into thirds which he  
8 then assigned points of 25, 15, and 5 with the more expensive firms receiving less points. He stressed  
9 that the information he provided was strictly his own opinion for Council to use as they wish.

10  
11 Council Member Abraham asked Council Member Mahoney whether he eliminated proposals which did  
12 not identify the “specific audit approach” as required in the RFP. Council Member Mahoney stated his  
13 understanding that the process tonight is to identify those firms which would be invited to take part in an  
14 interview process. He said that he first checked to see if the mandatory elements were included and then  
15 evaluated the experience levels of the individuals on the audit team. Price was also a consideration.

16  
17 Council Member Abraham stated that he is strictly evaluating based on whether the requirements in the  
18 Request for Proposal (RFP) were met. He said that this allowed him to “easily eliminate” six of the  
19 firms and come to the meeting tonight with five proposals. Council Member Abraham stated, “I have  
20 good reasons for those books, because the RFP helped me. Not Greg LeFils or any other CPAs.” He  
21 said that he uses common sense much like a juror deliberating in a trial and that he does not need anyone  
22 to “educate” him. He said that he has chosen five firms.

23  
24 Council Member Mahoney said that he has divided the proposals into groups of “yes, no, and maybe.”  
25 Council Member Abraham stated that he is prepared to vote for the five firms he would like to pursue.

26  
27 Vice Mayor Allebach said that he reviewed the proposals and has selected six of them for potential  
28 interviews. He said that he is “not too proud to look at opinions of esteemed professionals in the  
29 industry and compare.”

30  
31 Mayor Strickland advised that he has also selected six firms that he has ranked according to his  
32 priorities.

33  
34 Council Member Sherrill said that he has narrowed his choices to four.

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36 Council Member Laputka indicated he has selected five firms with an alternative sixth. He said that he  
37 relied on the content in the proposals as well as the information received tonight.

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39 **2. CHOOSE FIRMS TO INTERVIEW ON 10/6/09**

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41 Mayor Strickland initiated a discussion on the selection process.

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43 **It was the consensus of Council to invite five firms for interviews.**

44  
45 Each of the Council Members stated the five firms that they would like to interview as follows:

46  
47 **Council Member Abraham:**

48 James Moore & Co.  
49 Brent Millikan  
50 Purvis Gray  
51 Thomas & Co.

**Vice Mayor Allebach:**

Holland & Reilly  
Greene Dycus  
James Moore  
R.R. Moats

1 R.R. Moats

Averett Warmus Durkee

2

3 **Mayor Strickland:**

**Council Member Sherrill:**

4 Holland & Reilly

James Moore

5 Averett Warmus Durkee

Greene Dycus

6 R.R. Moats

Brent Millikan

7 James Moore & Co.

Holland & Reilly

8 Brent Millikan

Averett Warmus Durkee

9

10 **Council Member Laputka:**

**Council Member Mahoney:**

11 Holland & Reilly

James Moore & Co.

12 R.R. Moats

Brent Millikan

13 Averett Warmus Durkee

Holland & Reilly

14 James Moore & Co.

David Logan

15 Brent Millikan

Dreggors Rigsby & Teal

16

17 Council Member Mahoney referenced a document he had received titled "Better Understanding of  
18 Financial Statement Audits" and said that it discusses a mandatory audit rotation. He recalled that the  
19 last time the City went out to bid, two responses were received. Council Member Mahoney said that  
20 mandatory rotation could leave the City in a position of having to use an unqualified respondent. He  
21 asked Mr. LeFils how often the City should rotate their auditing firm. He noted that the firm that  
22 audits the City of DeLand has been doing so for fifty years. Mr. LeFils said that DeLand restricts  
23 responses to their RFP to those firms located within their water service boundaries. He expressed his  
24 opinion that the requirements are the same whether the engagement is large or small. He said that a  
25 rotation might have a positive effect on fees, however, he would not recommend a mandatory rotation.  
26 Mayor Strickland noted that the City Charter requires that a rotation be considered every five years. In  
27 response to a question from Council Member Mahoney, Mr. LeFils said that five years is a good period  
28 of time to consider a rotation in auditors.

29

30 Michael Wright, CPA, came forward and stated that he concurred with Mr. LeFils but that he would also  
31 recommend that if it appears that the relationship between the auditors and staff has become "too  
32 chummy" that should be a factor in considering a rotation. Mayor Strickland noted that if the firm was  
33 large enough, that could be overcome by changing the principals assigned to the audit.

34

35 Bernadette Britz-Parker, James Moore & Company, came forward and stated that she came tonight as an  
36 observer.

37

38 The City Clerk announced the five firms selected to participate in interviews with the Council:

39

40	James Moore	6 votes
41	Brent Millikan	5 votes
42	Holland & Reilly	5 votes
43	Averett Warmus Durkee	4 votes
44	R.R. Moats	4 votes

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46 **Vice Mayor Allebach moved to invite the five firms identified by the**  
47 **City Clerk to a meeting on October 6<sup>th</sup> to participate in interviews**  
48 **with the Council, seconded by Council Member Laputka and passed**  
49 **by unanimous 6/0 voice vote.**

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1 **3. ADJOURN**

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3 There being no further business, Mayor Strickland adjourned the meeting at 7:46 p.m.  
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6 **RESPECTFULLY SUBMITTED:**

**APPROVED ON:**

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9  
10 Deborah J. Renner, CMC  
11 City Clerk

November 02, 2009