

1 **MINUTES OF THE SPECIAL MEETING** of the City Council of the City of Orange City, Florida,
2 held on Tuesday, October 6, 2009 at 6:00 p.m. in Council Chambers, 201 N. Holly Avenue, Orange
3 City.

4
5 **CALL TO ORDER**

6
7 The Meeting was called to order at 6:00 p.m. by Mayor Strickland and roll call was taken.

8
9 **ROLL CALL**

10
11 **PRESENT:** Mayor Harley Strickland; Vice Mayor Jeff Allebach; Council Members; Tom Laputka,
12 Tom Abraham, Paul Rasch, Jim Mahoney; City Attorney William Reischmann; Interim City Manager
13 Chester Murray, City Clerk Deborah Renner

14
15 **ABSENT:** Council Member Don Sherrill

16
17 **1. CONDUCT INTERVIEWS WITH TOP RFP RESPONDENTS**

18
19 **6:00 p.m. Ron Moats**

20
21 Ron Moats, R.R. Moats, CPA , 851 Dunlawton Avenue, Port Orange, came forward and stated that his
22 firm has been in existence for eleven years. He advised that he has practiced public accounting for 35
23 years, specializing in governmental accounting. Mr. Moats discussed his firms qualifications stating
24 that they have a thorough understanding of today's economic situation and its effect on local
25 governments. Mr. Moats said that his firm currently does not audit any other local governments in the
26 area, therefore, no conflict of interest would exist.

27
28 Mr. Moats discussed his qualifications and stated that his experience extends to water and sewer
29 systems. He advised that if his firm is selected, he would be the person in charge of the audit as a
30 member of a three-person audit team. He assured Council that they could increase the amount of time
31 devoted to the audit if needed, but there would be no increase in fee.

32
33 Council Member Abraham said that he reviewed the proposal and could not find details about the
34 "specific audit approach." Mr. Moats responded that a time-budget would be developed at the
35 commencement of the audit process as part of the evaluation of internal control and walk-through. He
36 explained that the financial statement would be examined and main accounts audited. Then revenue
37 departments such as building and occupational licensing would be examined for risk to the City. Mr.
38 Moats advised that a total of 310 audit hours was estimated for the job, of which about 124 would be
39 spent by him.

40
41 Council Member Laputka asked whether any of the audit functions were subcontracted. Mr. Moats
42 responded that they have not done that in the past and do not anticipate using any outside sources.

43
44 Council Member Mahoney asked the number of years of experience in the least-experienced person to
45 be involved with the audit. Mr. Moats responded that the firm's newest CPA has about five months
46 experience. Council Member Mahoney expressed that he valued experience. Mr. Moats commended
47 staff for having a fund balance around 15-20%. He stated, "Your wise financial decisions in managing
48 that fund balance is really going to do you well." Council Member Mahoney asked how the number of
49 hours spent on the audit would change after the first year. Mr. Moats responded that his time may be
50 reduced by 10%, but he would remain the most significant contributor. He noted that his practice also
51 involves work for a number of "foreign nationals." He said that they have clients from Florida to

1 California to the United Kingdom. Council Member Mahoney asked Mr. Moats what distinguishes his
2 firm from the others. Mr. Moats responded that a number of talented firms responded to the RFP. He
3 said that what sets his firm apart is experience.
4

5 Mayor Strickland asked Mr. Moats to discuss the role of information technology in his firm. Mr. Moats
6 responded that his firm has consultants in this area at their disposal if needed.
7

8 Vice Mayor Allebach asked whether Mr. Moats would assist with the CAFR. Mr. Moats said that he
9 would.
10

11 Mr. Moats asked for clarification as to whether Council would make a decision on the auditor tonight.
12 Mayor Strickland responded that they would.
13

14 Interview with R.R. Moats concluded.
15

16 Council Member Laputka asked how many votes would be needed to be selected as the City's auditor.
17 Mayor Strickland said that he felt a minimum of four votes should be required and that a commitment to
18 making a selection tonight should be made.
19

20 **It was the consensus of Council that each Council Member would cast**
21 **a vote for one firm and that voting would continue until any firm**
22 **received a minimum of four votes.**
23

24 Mayor Strickland noted that the order for the presentations was selected randomly.
25

26 **6:30 p.m.** **James Moore & Co.**
27

28 Bernadette Britz-Parker came forward and provided a brief history of the firm, which was founded in
29 1964. She noted that they are the tenth largest CPA firm in Florida with offices in Daytona Beach,
30 Gainesville and Tallahassee. Ms. Parker named a number of their governmental clients such as the
31 County of Volusia, Avon Park, Edgewater and discussed the firm's professional affiliations. She said
32 that the firm has undergone ten triennial peer reviews resulting in an unqualified opinion with no letter
33 of comments.
34

35 Ms. Parker advised that she would be the audit partner for the engagement. She said that she has been
36 practicing public accounting for thirty years and she introduced the other members of the audit team,
37 detailing their experience. She advised that the reviewing will be done by partners and managers on
38 site. Ms. Parker said that the firm was recognized by Florida Trend magazine as one of the best
39 companies to work for in Florida and for their commitment to technology and related training.
40

41 Ms. Parker said that she has taken time to study the City's strategic plan and services. A member of the
42 audit team will meet individually with each of the elected officials prior to the engagement, and then
43 again when the audit is concluded. Ms. Parker advised that her firm has been employing
44 "technologically advanced" audit techniques for more than a decade. They download 100% of the data
45 with data extraction software and everything is contained on the computer. She discussed ways in
46 which this technology is employed during the audit process.
47

48 Ms. Parker said that her firm is very active in the Volusia community.
49

50 Council Member Abraham referenced page 26 of the proposal and questioned whether all of the work
51 could be accomplished in 252 hours as proposed. Ms. Parker said that she anticipates that the firm will

1 spend 25-30% more hours in the first year of engagement, but in future years the number of hours
2 should decrease. She noted that the fee quote remains the same regardless of the number of hours
3 involved.
4

5 Council Member Mahoney asked why Ms. Peters chose not to quote a separate amount for a federal
6 single audit. She said that information is contained in a separate area of the proposal and that the charge
7 would be assessed as a separate amount per program. She noted that the City is not currently subject to
8 the single audit act. She said that if that changes, it is \$3,250 more per major program. Council
9 Member Mahoney noted that James Moore & Co. is "by far the most expensive firm" which he
10 attributed to a "rigorous, technical, automated approach." He expressed his concern regarding the
11 allocation of "partner hours" to the total hours. He observed that it appears the firm is not sampling the
12 data. Ms. Peters said that through the data analysis, they are able to test 100% of certain attributes. She
13 said that the difference between James Moore and other firms is that they hire "the best of the best" and
14 that the younger principals are very computer literate, while not as experienced in analysis. She said
15 that they try to match the task at hand to the best level of personnel. She stated, "Our partners are not
16 glorified seniors. It's not how we operate, it's not what we do." Ms. Peters expressed that their method
17 is effective and cost efficient which produces a "better" and "smarter" audit as a result. Council
18 Member Mahoney said he was concerned that experience is not substituted by technology. Ms. Parker
19 responded, "absolutely not." She expressed her confidence in the audit team as a whole.
20

21 Council Member Mahoney questioned whether any of the neighboring municipalities were audited
22 concurrently. Mr. Parker responded, "Yes." Council Member Mahoney questioned whether this ever
23 resulted in problems.
24

25 Mayor Strickland noted that the time allotted for this interview has expired. It was agreed that further
26 questions could be addressed at the conclusion of all of the interviews.
27

28 **7:00 p.m. Averett Warmus Durkee**
29

30 Lena Combs, Audit Partner, Averett Warmus Durkee, came forward and introduced the members of the
31 audit team. She provided background on the firm, noting that there are 62 total staff members of whom
32 32 are CPAs which placed them in the top 250 firms in the United States. The firm has been in
33 existence for twenty years and works in the areas of governmental, non-profit and real estate. She
34 discussed the firm's qualifications and professional affiliations. She said that areas which are rated most
35 highly by their clients is the level of partner involvement in engagements and level of customer service.
36

37 Ray Bastin came forward and discussed the specific audit approach. The firm uses a four-phase
38 approach, first evaluating the internal control structures and major processes. This phase will identify
39 any potential issues. The audit program is completed in the next phase during which time sampling is
40 also completed to test controls and compliance issues. The third phase of the audit involves evaluating
41 the results of the tests. An exit conference will be held when the audit is completed.
42

43 Jim Warmus came forward and discussed the benefits of using electronic sampling.
44

45 Council Member Abraham asked whether the firm has a peer review currently in process. Mr. Warmus
46 responded that it has been completed, however, the results cannot be released until it has been accepted
47 by the FICPA. In response to further questioning by Council Member Abraham, Mr. Warmus stated
48 that the firm's executive committee determines who will perform the peer review.
49

50 Council Member Mahoney noted that 144 hours were allocated for field work, of which 120 are for
51 senior or staff. He expressed concern that less experienced staff will be used and asked, "is it at the

1 expense of the technology gathering the data? Mr. Warmus responded that one of the most important
2 parts of the audit is the planning. He said that if an issue arose, senior staff would be brought in
3 immediately, however, they are not needed for simple information gathering. He stressed that
4 information can be reviewed by senior partners from the office through the internet at any time.

5
6 In response to a question from Council Member Rasch, Mr. Warmus stated that the actual number of
7 hours devoted to the audit by his firm could be 10% higher during the first year.

8
9 Mayor Strickland asked, "Out of the five folks that we see tonight, why should we choose your firm?"
10 Ms. Combs responded, "Why not?" She said that the firm prides itself on customer service and technical
11 competence.

12
13 Mr. Warmus said that when they begin an audit, they have "professional skepticism" which they
14 maintain throughout the audit.

15
16 Mayor Strickland recessed the meeting at 7:26, reconvening at 7:34 p.m.

17
18 **7:30 p.m. Holland & Reilly**

19
20 Tom Reilly, Holland & Reilly, came forward and provided background information on his firm. He said
21 that he and Mr. Holland have been partners for twenty-one years. He stated that they enjoy "close client
22 contact" and working in the field. Mr. Reilly said that his firm is recognized around the state as an
23 expert in governmental auditing and that they are engaged by a number of CPA firms as consultants. He
24 discussed their credentials and professional associations. Mr. Reilly introduced Ms. Marji Perkins who
25 will be working on the City's audit with him. He noted that he and his partner have had six consecutive
26 peer reviews with no letters of comment. He said that both he and his partner serve as peer reviewers.

27
28 Mr. Reilly stated that the firm's past experience includes the cities of Orlando, Oviedo, and Sanford, as
29 well as Orange and Seminole Counties. He advised that the firm is not looking for large engagements at
30 this time and that Orange City is "perfect" for their size firm. He stated that currently, the firm serves as
31 auditor for Bunnell, Coleman and the South Seminole and North Orange County Waste Water
32 Transmission Authority.

33
34 In regard to their audit approach, Mr. Reilly stated that they will have "very heavy coordination with
35 City personnel." He advised that the "key" to the engagement is proper planning and understanding the
36 city's operations. Trends are also analyzed during the audit process. Mr. Reilly said that one of the
37 partners would be present during the entire engagement.

38
39 Mr. Reilly observed that one difference noted in the RFP is that staff will prepare the Comprehensive
40 Annual Financial Report (CAFR). He advised that in the past, the audit firm has prepared the report.
41 He stressed that his fee is based on the assumption that staff will prepare the CAFR. Mr. Reilly
42 expressed his confidence in Ms. Davis' abilities to prepare the Report, but noted that he can assist if
43 necessary. He said that he will meet with the Council at the conclusion of the engagement to present the
44 audit report and any relevant observations. Mr. Reilly said that his firm has been a consultant and
45 technical reviewer for the City's audit for the past eight years working for Greene Dycus & Co. Mr.
46 Reilly noted that the City has received the "Certificate of Achievement for Excellence in Financial
47 Reporting" for the past six years. He stated, "We were instrumental in making that happen." He said
48 that his firm also coordinated the GASB 34 conversion in 2003. Mr. Reilly emphasized that his firm has
49 not been involved in the audit procedures or working with internal controls and stated, "That would be a
50 fresh perspective that we'd be giving the City." He also offered to present a seminar on governmental
51 accounting and auditing, or fraud, to staff or the City Council.

1
2 Council Member Laputka asked how the cost estimate for the audit would change if Council asked
3 Holland & Reilly to prepare the CAFR. Mr. Reilly responded that it would add about \$5,000 to \$6,000.
4 He said that the CAFR is “a lot of work” to put together. He noted again that he was surprised to see
5 that staff was preparing the CAFR because that was not the case in the past. Council Member Laputka
6 advised Mr. Reilly that the Council had called upon some local CPAs to assist them in evaluating the
7 proposals. He said that the Holland & Reilly firm was ranked the highest in three cases, noting that the
8 cost was “significantly lower.” Mr. Reilly said the main change reflected in the quoted price is that staff
9 is preparing the CAFR. He advised that in the event they do have to prepare the CAFR, the price quote
10 would be adjusted accordingly.

11
12 Council Member Abraham noted that he was bothered because the “specific audit approach” was not
13 included in the firm’s proposal. He said that there are just two pages dealing with this and they do not
14 cover it in detail, hour by hour, segment by segment. Mr. Reilly said that they felt the format submitted
15 was more informative. He reemphasized that the key element is planning and that his firm spends a
16 great deal of time planning the engagement. Audit procedures can’t be finalized until the planning
17 process is complete.

18
19 Council Member Mahoney confirmed that the minimum number of years of experience in the firm is
20 twenty. Mr. Reilly stated, “Nineteen years.” Council Member Mahoney questioned what would happen
21 in the event one of the partners could not finish the audit. Mr. Reilly responded that he loves his job and
22 that he intends to continue for “many, many years.” He noted that he has a “very competent and capable
23 partner” in the event that something should happen. He expressed his confidence that Ms. Perkins had
24 the experience to complete the job on her own if necessary. Council Member Mahoney observed that
25 Mr. Reilly and Mr. Moats had a less computer-oriented approach to the audit balanced with more
26 experienced individuals doing the field work. He asked whether that was a “proper assessment.” Mr.
27 Reilly agreed, noting that Orange City is small. He stated, “I think the experience level of the
28 individuals, especially the partner on the engagement, is most critical in these types of engagements.”
29 Council Member Mahoney concurred and asked whether there was any chance that the firm would be in
30 a position of auditing any of their own work? Mr. Reilly responded, “Absolutely not.” He said that it
31 would not be ethical to do so.

32
33 **8:00 p.m.** **Brent Millikan**

34
35 Alex Kish, Brent Millikan, came forward and discussed his firm’s qualifications and background. The
36 firm was founded in 1975. Audits account for about 50% of the firm’s overall operations with a heavy
37 concentration in governments. Mr. Kish said that the role of the auditor is to “Help solve complex
38 problems and improve business operations by building a foundation of trust.” Mr. Kish discussed the
39 firm’s qualifications and professional affiliations. The firm has been involved in the peer review
40 program since 1979 and has received ten triennial peer reviews.

41
42 Mr. Kish advised that the principals who will be assigned to do the City’s audit have over 95 years of
43 collective experience. He introduced the members of the engagement team and discussed their
44 qualifications. Mr. Kish stated that he would be the director of the team.

45
46 He said that his firm is very familiar with governmental audits and the associated rules and guidelines.
47 He expressed his understanding that the City would prepare the CAFR and advised that there were no
48 issues with meeting the timeline requirements. He said that they would be involved in the day-to-day
49 operations of performing the audit. He encouraged Council to contact the references listed in the
50 proposal.
51

1 Mr. Kish discussed the specific approach to the audit process stating that they would review the City's
2 systems and do a walk through. A preliminary assessment of the audit risk is done and compared with
3 the risk assessment done by Council. Computerized systems are used to sort data and perform testing.
4

5 Mr. Kish said that his firm takes a "three-prong approach to client satisfaction: quality of service, value,
6 and service. He said that his firm would offer extensive partner participation. Mr. Kish said that the
7 firm did not raise fees even though enhanced risk standards were developed that they must comply with.
8 He said that they are fully prepared to take over the audit responsibilities. He advised that the fees in the
9 proposal are fixed and will not change. Services are billed monthly or bi-monthly. In conclusion, Mr.
10 Kish stated, "We have substantial resources, we offer experienced specialists to you, we have satisfied
11 clients and references...we're very proud of that. We think that we offer you the best firm to serve as
12 your independent auditors. We're committed to working with you and we are really committed to
13 having Orange City as a firm client."
14

15 Council Member Abraham referenced page 53 of the proposal and asked what question numbers one
16 and 2, Anticipated Potential Audit Problems, means. He said that they interpreted that to mean how the
17 firm would handle any differences in interpretation or to resolve any differences of opinion. Two
18 potential areas which could become a problem in the future are post employment benefits and reporting
19 intangible assets.
20

21 Mr. Kish said that it should take about 300 hours to complete the audit and the level of partner
22 participation would be about 40-50 hours. In response to a question from Council Member Mahoney,
23 Mr. Kish said that his firm has the authority to raise the fees over the course of a long-term contract in
24 the event of a change in a professional standard that required additional work, however, they have never
25 exercised that authority.
26

27 Council Member Mahoney observed that the two firms that are relying on more experienced individuals
28 in the field are charging less than two of the three, to include Brent Millikan in the three, who are using
29 the "IT approach." He stated, "I don't know where Brent Millikan and Company fits in." Mr. Kish
30 responded that his firm uses a "heavy emphasis on both sides."
31

32 Council Member Mahoney suggested that Mr. Moats be provided with another opportunity to address
33 Council since he went first. He said that the firms present tonight are all "good quality." He said that he
34 felt it comes down to experience.
35

36 Council Member Mahoney summarized that the firms could be divided into two groups by price and that
37 Council should ask "What are we getting for that price?" He discussed the value of working with
38 someone who has experience.
39

40 **2. SELECT AUDITOR AND AUTHORIZE EXECUTION OF AGREEMENT**

41
42 The City Clerk distributed ballots to each Council Member to vote on who should be the City's next
43 auditor. The ballot were completed and returned to the City Clerk who announced that there were five
44 votes for Holland & Reilly. The votes were as follows:
45

46 Holland & Reilly

Brent Millikan

47 Council Member Mahoney

Council Member Abraham

48 Council Member Rasch

49 Council Member Laputka

50 Mayor Strickland

51 Vice Mayor Allebach

1 Mayor Strickland thanked each of the applicants for submitting their proposals and for attending.

2

3 Mayor Strickland said that the next issue is the agreement with the auditing firm.

4

5 **Council Member Laputka moved that the Mayor and the City**
6 **Attorney develop an agreement with Mr. Reilly, seconded by Council**
7 **Member Rasch.**

8

9 Vice Mayor Allebach expressed his need to review the contract prior to giving authorization to sign it.
10 The City Clerk indicated that if Council authorizes the Mayor and City Attorney to negotiate the
11 contract, it could be ready to be presented at the regular Council meeting on October 13th.

12

13 **3. ADJOURN**

14

15 There being no further business, Mayor Strickland adjourned the meeting at 8:44 p.m.

16

17 **RESPECTFULLY SUBMITTED:**

18

19

20 Deborah J. Renner, CMC

21 City Clerk

22

APPROVED ON:

November 02, 2009