



Legislation Details (With Text)

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Title: A RESOLUTION OF THE MAYOR AND TOWN COUNCIL OF THE TOWN OF CUTLER BAY, FLORIDA, APPROVING A FIRST AMENDMENT TO THE AUDIT AGREEMENT WITH CABALLERO FIERMAN LLERENA & GARCIA, LLP (FORMERLY KNOWN AS ALBERNI CABALLERO & FIERMAN, LLP); PROVIDING FOR AUTHORIZATION; PROVIDING FOR AN EFFECTIVE DATE.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Manager Memo-Amendment to 2014 Auditing Services Agreement, 2. Manager Memo-Attach A-Reso No 14-51 Professional Auditing Services, 3. Resolution-Approving Amendment to 2014 Auditing Services Agreement, 4. Resolution-Exhibit A-Auditing Services Agreement Amendment No. 1

Date	Ver.	Action By	Action	Result
7/17/2019	1	Town Council	adopted	Pass

MEMORANDUM

To: Honorable Mayor and Town Council

From: Rafael G. Casals, ICMA-CM, CFM, Town Manager

Date: July 17, 2019

Re: Approving a First Amendment to the Agreement with Caballero Fierman Llerena & Garcia, LLP - Professional Auditing Services

REQUEST

A RESOLUTION OF THE MAYOR AND TOWN COUNCIL OF THE TOWN OF CUTLER BAY, FLORIDA, APPROVING A FIRST AMENDMENT TO THE AUDIT AGREEMENT WITH CABALLERO FIERMAN LLERENA & GARCIA, LLP (FORMERLY KNOWN AS ALBERNI CABALLERO & FIERMAN, LLP); PROVIDING FOR AUTHORIZATION; PROVIDING FOR AN EFFECTIVE DATE.

BACKGROUND AND ANALYSIS

Caballero Fierman Llerena & Garcia LLP (the “Auditors”) is the Town’s independent certified public

accounting firm. They have been the Town’s auditing firm since the fiscal year 2007 audit, having been awarded the audit services contract as a result of competitive bid processes through the years. The Town’s most recent Request for Proposal (“RFP”) for audit services was RFP No. 14-03 authorized for issuance by the Town Council on April 16, 2014 (via Resolution No. 14-23). The audit services contract (the “Agreement”) subject to RFP No. 14-03 was awarded to the Auditors on July 16, 2014 (via Resolution No. 14-51).

The Agreement issued pursuant to the aforementioned RFP No. 14-02 covered three (3) years (FY 2014, 2015, and 2016), with two (2) one-year Town options (FY 2017 and 2018). The Town exercised both of its one-year renewal options. The audit for the fiscal year ending September 30, 2018 was recently completed with the Auditors issuing their Comprehensive Annual Financial Reports (CAFR) thereon dated May 31, 2019.

As the audit for the fiscal year ending September 30, 2018 was winding down, Town Staff engaged in discussions with the Auditors about the possibility of extending the competitively bid Agreement, which was an option given to the Town pursuant to the annual audit engagement letter dated November 6, 2018 executed by the Town. After much discussion and consideration, the Auditors agreed to a complete “reset” of the regular audit fee rates (covering the audit and CAFR issuance), meaning that the rates agreed to pursuant to RFP No. 14-03 would apply to any new extension or term options entered into between the parties.

In consultation with the Town Attorney’s office, it was decided that the most appropriate manner of accomplishing this understanding would be to amend the 2014 Agreement such that three (3) additional one-year Town options would be added to that agreement:

Fiscal Year Ended Sept. 30	Financial Statement Audit and CAFR Issuance	Single Audit Services (if applicable)	The Children’s Trust Program Audit (if applicable)
2019	\$24,000	\$3,000	\$5,000
2020	\$25,000	\$3,000	\$5,000
2021	\$26,500	\$3,000	\$5,000

As noted above, the Auditors have served the Town since the fiscal year 2007 audit. Their service has been exemplary and cost effective. It should also be noted that there is no legal requirement, or recommendation, for mandatory rotation of auditors after a specified number of years or at the end of an audit services contract. The Government Financial Officers Association noted that “the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive.” The United States Government Accountability Office (GAO) further concluded that such auditor rotation may not be the most efficient way to strengthen auditor independence and improve audit quality considering the additional financial costs and the loss of institutional knowledge of the previous auditor. GAO further concluded that the potential benefits of mandatory audit firm rotation are hard to predict and quantify, but there is a fair certainty that there will be additional costs.

Paragraph (8) of §218.391 Florida Statutes, “Auditor selection guidelines”, provides that “Written contracts entered into pursuant to subsection (7) may be renewed. Such renewals may be done without the use of the auditor selection procedures provided in this section. Renewal of a contract shall be in writing.” The Town’s 2014 Agreement was entered into pursuant to §218.391(7) Florida Statutes and the Town’s engagement letter for the audit of the fiscal year ending September 30, 2018 provided for a Town option to renew the engagement going forward. That, coupled with the favorable fees quoted to the Town to amend the 2014 Agreement to

provide for five additional one-year Town options, makes entering into this amendment beneficial for the Town.

RECOMMENDATION

It is recommended that the Town Council authorize the Resolution to amend the 2014 Agreement pursuant to the terms in substantially the form as proposed in Exhibit “A” to the Resolution.

ATTACHMENT(S)

- Attachment “A” - Resolution No. 14-51 Professional Auditing Services Selection