

# Audit Committee

## Regular Meeting Minutes

**DATE & TIME:** March 4, 2014 – 4:00 PM  
**LOCATION:** Karen L. Binder Library, Sixth Floor, County Office Building  
**PRESIDING OFFICER:** Richard Parete, Chairman  
**LEGISLATIVE STAFF:** Fawn Tantillo  
**PRESENT:** Legislators Richard A. Parete, Tracey A. Bartels, Richard A. Gerentine, Kenneth J. Ronk, Jr., Kenneth Wishnick, Comptroller Elliot Auerbach, and Deputy County Executive Kenneth Crannell (designee of Michael P. Hein)  
**ABSENT:** None  
**QUORUM PRESENT:** Yes  
**OTHER ATTENDEES:** Legislator David Donaldson, Herbert Litts, Jeanette Provenzano, Legislative Counsel Cappy Weinter, Legislatove Clerk Victoria Fabella; Purchasing Senior Buyer Carol Armstrong-; Deputy Comptroller Joseph Eriole; Director of Internal Audit and Control Ronald E. Clum; Commissioner of Finance Burton Gulnick, Jr.; Deputy Commissioner of Finance CJ Rioux,; Thomas Kadgen - League of Women Voters.

- **Chairman R. Parete called the meeting to order at 4:05 PM**
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Chairman R. Parete welcomed the members and guests and asked everyone to introduce themselves before opening the discussion about Request for Proposal (RFP) to select an Auditor.

Legislator Bartels express concern about the term of the contract in the RFP. Any vendor who wanted to apply might prefer to be the Budget Analyst, due to County Executive Mike Hines veto statement raising questions about the same vendor doing both functions. Bartels asked if there was a way for the vendor to get out of the Audit contract in order to accept the Budget Analyst contract.

Legislator Gerentine noted that the RFP is not for three years, it is “up to” three years. He said the Legislature has the option to approve the contract each year.

Purchasing Expediter Armstrong said that the RFP could be written for a one year contract with an option for two, three or more years. The County always has the option to cancel the contract. She explained that County contracts generally do not leave that option to the vendor; it is the County’s option. She said that the RFP could specify that the vendor who has the Budget Analyst contract cannot be awarded the Auditor contract and the same language could be added to the next Budget Analyst contract.

Legislator Wishnick said that the last RFP resulted in only a few vendors responding and wondered if the members were satisfied that they had the broadest response from qualified vendors.

Legislator Gerentine explained that six vendors responded, all were well qualified and the last Audit committee narrowed the field to just two for interviews.

Armstrong described the process used to publicize the last RFPs and soliciting vendors that include advertising in two legal papers and sending it to between 8 and 10 local companies. She said they could put the RFP on the County Web site. She warned that each and every response is put through an analysis and evaluation, each is read, scored, discussed. In addition to sending out the RFP to firms the County used previously, she sent out more than 30 announcements inviting other firms to request the RFP if they were interested

There was a discussion about previous RFP’s and the firms that responded. There was further discussion on what strategy to use to reach out to additional qualified firms and a desire to broaden the selection of firms that respond.

Commissioner of Finance Gulnick pointed out that due to the Veto of the previous Audit Committee’s selected vendor’s contract, the County is already three months behind with the 2014 audit and most companies have already committed

staff to existing contracts. He said these vendors are planning their calendar now and Ulster County is not on their calendar. Many companies may have difficulty providing additional staffing to take on a new contract with Ulster County. This may also result in bids coming in higher than usual for the first year of the contract because vendors might need to hire additional staff to provide services if they are selected.

Commissioner Gulnick also told the committee that because he is the one that does the work the Auditor will examine, he cannot take part in the decision to choose the Auditor. He was just here tonight to answer any questions the committee may have. Once the committee begins the selection process, Commissioner Gulnick will not attend the meetings. He agrees with the written statements of the County Executive that it is important to have separate companies do the Audit and the Budget Analysis.

Comptroller Auerbach described previous efforts to select Auditors and said there were professional organizations in the Hudson Valley that could assist in distributing the RFP. He said he agreed with Commissioner Gulnick that it is important to have separate companies do the Audit and the Budget Analysis, noted that he went on record with that opinion last year and agreed that it would be a good stipulation to add to the RFP.

Legislator Donaldson said there really is no conflict with the same company doing both the Audit and Budget Analysis. He noted that many counties use the same firm for both rolls. The Auditors are not giving an opinion on their own work so there really is no conflict.

Deputy County Executive Crannell said the County Executive had the greatest respect for the Audit Committee and did not want to tell them what firm to choose, but took a stand by making a veto of that particular contract for the Auditor previously selected to make sure the County did it right. It was not a reflection on the firm chosen but a desire to complying with best practices in Government Accounting standards.

Counsel Weiner asked where that "best practice" was written and what Government Accounting standards he was referring to and was told it was the General Accounting Office (GAO) Auditor Independent Standard fact sheet from the "Yellow Book" standards. Counsel Weiner said there is clearly a difference of opinion if those standards apply to this situation. It was his opinion that they do not. Counsel Weiner cautioned everyone to be careful using the phrase "conflict of interest" as it implies the company did something inappropriate and almost rises to the level of making an accusation of a very serious charge. He has no problem putting something in the RFP to prevent one firm from doing both contracts but reminded the committee that the terms used in recordings of these proceedings is very important. Counsel Weiner said he read GAO fact sheet, the opinions of County Attorney Havranek and Legislative Counsel Guerin and the Veto message of County Executive Hein. Clearly there is a difference of opinion but recommended everyone be careful what terms we use.

Legislator Donaldson discussed the County Executive's veto of the contract for the Auditor selected by the Audit committee last year. He recognized that technically it was within his rights to veto the resolution; he feels it was against the spirit of the Charter.

Legislator Bartels agreed with Legislator Donaldson that it was not in the spirit of the Charter, but she felt diversification and having two sets of eyes look at County spending would be advantageous.

There was then a discussion about what audit reports are required, what additional audit reports would be useful, and what audit reports should be asked for in this RFP or future RFPs.

Legislator Wishnick was troubled by the public perception of a conflict of interest that requires legislators to explain the situation to constituents. He said if it came down to two qualified firms, he preferred having separate firms provide the Budget Analysis and the Audit to avoid the necessity of explaining the situation to the public.

Legislator Gerentine explained why he sees the Budget Analysis and the Audit as two completely separate things. He reminded the committee that it was the responsibility of the Legislature to set policy. If the policy is to select separate firms, it must be a policy set forth by resolution and voted on by the Legislature. He described the process used to select the previous Auditor as completely open and everyone, including the County Executive. The previous Audit Committee came out with a recommendation to the full Legislature. He feel changing the policy is a separate issue and the Audit committee needs to focus on getting out a new RFP because we are three months behind already.

Armstrong said there are two options.

The first option would be to use the proposals in hand. The current RFP was still open because the contract was never awarded. Six firms responded and the Audit committee could just re-examine the responses in hand.

The second option would be to do a new RFP, if there are not a lot of changes it could be put out quickly. She said it will take 6 to 8 weeks to re-write the RFP and get replies. She could provide a list of vendors it will be sent to that the committee can approve.

When the proposals are returned they will need to be scored by criteria from the RFP specifications. Proposals are constructed to match the RFP criteria so scoring follows that criteria. This needs to be done for each and every proposal. The committee will discuss the scoring and decide who they want to interview. Interviews are set up for the finalist. Her job is to facilitate the process.

There was a discussion of the time line of each of the two options, committee member's option preferences, what audits are due when,

Legislator Ronk suggested, in the interest of time, the committee re-examine the 6 RFP's in hand.

Counsel Weiner warned that simply sending letters to the 6 vendors that replied to the last RFPs and re-examining their proposals may not save time due to the controversy that arose. He feels doing a new RFP would be cleaner. He said it was in the Audit Committee purview to put whatever terms they want in the RFP. These terms could be a wide range of conditions from stipulating that the vendor awarded the contract may not also do the Budget Analysis to elimination of any vendor who makes political contributions to County Elected officials.

Legislator Ronk questioned the practicality of setting terms that stipulate a vendor may not do both the Budget Analysis and the Audit. What about the firms that do Corporate Compliance and other financial services. He warned that eventually the County will run out of qualified firms to choose from.

Chairman Richard Parete suggested that setting policy like the ones being discussed should be taken up by the Laws and Rules Committee. He feels this Audit committee needs to move ahead with new RFP's and get an Auditor as soon as possible. He feels the committee can discuss these issues as the proposals are discussed.

**Legislator Gerentine made a motion to move ahead with a new RFP with an addendum to audit the Sheriff's department and authorize Legislator Richard Parete, Chairman of the Audit Committee to sign off on the new RFP on behalf of the Audit Committee**

**Seconded by Legislator Wishnick**

<b>Voting In Favor:</b>	Legislators Parete, Bartels, Gerentine, Ronk, Jr., and Wishnick
<b>Voting Against:</b>	None
<b>No. of Votes in Favor:</b>	9
<b>No. of Votes Against</b>	0
<b>Disposition:</b>	Carried

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- **There being no further business before the Committee, a motion was made by Legislator Gerentine, seconded by Legislator Ronk and carried to adjourn the meeting at 5:15 PM.**
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**Dated the 10 Day of March, 2014**  
**Fawn A. Tantillo, Senior Legislative Employee**  
**Minutes Approved On: April 8, 2014**