

TOWN COUNCIL MINUTES
BUDGET/MANAGEMENT COMMITTEE
Town Hall Council Chambers
May 3, 2010 - Monday

Present: Ken DiFazio, Chairperson
Patrick O'Connor, Vice Chairperson
Arthur Mathews, Council President
Michael Smart, Councilor
Michael Molisse, Councilor

Also Present: James Wilson, CFO
Thomas J. Lacey, Councilor
Bob Conlon, Councilor

Recording Secretary: Mary Briggs

Chairman Kenneth DiFazio called the Budget/Management Committee meeting to order at 6:30 PM.

09 111 External Audit Proposals for Fiscal years 2010-2014

This matter was referred to the committee on October 5, 2010. The committee has deliberated it at several meetings and has received the completed Conflict of Interest forms, a letter dated April 29, 2010 from Ms. Duffy, and bid pricing for a one-year contract.

Councilor Mathews noted surprise that one of the two lowest bidders, Malloy, Lynch & Bienvenue has raised its pricing by \$9,000 for a one year contract. He would still consider a three-year contract.

Councilor Smart noted that from a general perspective, there is a potential conflict of interest, as the sister of one of the partners, Mr. Malloy, in Malloy, Lynch & Bienvenue, Barbara Costa, is a former employee in the Municipal Finance Department. Councilor Smart stated that if the State Ethics Commission thought the question was important enough to put on its questionnaire, then it's important enough to him that there is the appearance of a conflict.

Chairman DiFazio noted that Mr. Malloy is a tax partner in the firm, and does not perform governmental audit engagements. Councilor Smart noted that he is a principal in the firm, although he likely would not be involved in the town audit.

Councilor Molisse noted Ms. Costa has been gone for more than a year, and does not see a problem with a conflict.

Councilor O'Connor asked if the pros and cons are worth \$20,000 over three years.

Councilor Smart noted that regardless of how long Ms. Costa has been gone, the State Ethics Commission has put the question out, and the potential of a conflict remains. He also noted that the experience of the firm is not sufficient to consider them. He did not feel they have enough experience with municipal audits to allow them to use Weymouth to perfect their craft. He also responded to the comment from Councilor O'Connor regarding pricing and asked Mr. Wilson if the Town Council is held to the same standard with regard to contract procurement. If not, he questioned if the council request is a best and final price from firms seeking consideration for this particular project. Mr. Wilson responded that Chapter 30B does not apply; CPA firms are specifically exempted from 30B requirements. Candidates are each reviewed based upon experience, cost and qualifications. The recommendation is based on these as a whole, and so long as all were solicited in the same manner, the criteria can be weighed in accord with the business judgement rule.

Councilor Smart then asked if the Council President has the ability to seek a best and final number from the final candidates. Mr. Wilson responded yes. Mr. Smart asked if pricing is closed in this situation; Mr. Wilson responded that it is not; but it is under 30B.

Chairman DiFazio asked about the CAFR report, and if a firm had CAFR experience, would it be a consideration that would be favorable for an external auditor for the Town of Weymouth. Mr. Wilson responded by explaining that CAFR reports are a result of GASBY 434. Under GASBY 434, Weymouth became a Tier 1 community in 2001. Ten years of financial history is garnered and categorized to make projections into the future. Tier 1 communities are required to do an MDNA report. Weymouth has been doing one with an eye converting it to a CAFR once the ten years are met. A CAFR report is time consuming and encompasses ten years of data and Weymouth has been instrumental in teaching CPA firms how to complete it. Chairman DiFazio asked if a firm did that and also did an external audit for a town such as Randolph, if it appear to have the qualifications to meet the needs of Weymouth. Mr. Wilson responded that Randolph is not a Tier 1 community. The accounting system is different; Weymouth has a higher standard of accounting, with more requirements. Mr. Wilson recommended that what he would look at would be what the firms under consideration have produced, the amount of manpower, and their experience as a guide.

Councilor Mathews noted the staff profiles for Mr. Malloy are not in the RFP from his firm. He also noted the auditing needs of the town have changed significantly with the change from Town Meeting form of government. Councilor Mathews stated that the references in Melanson, Heath & Co.'s RFP are generally Tier 1 communities and worth the \$9000 more in their quote. He asked if Melanson, Heath and Company had done work previously in Weymouth. Mr. Wilson responded that two DPW issues were handled by Melanson Heath & Co. – reconciliation of bills that were reconstructed for the Housing Authority, rates implemented but not approved, and the SBA audit for reimbursement for the high school project. He noted they were able to interact with MUNIS and the town's operating systems. He classified their work as excellent.

Councilor O'Connor noted it comes back to \$20,000 over three years and was concerned due to the current economic conditions. He noted the experience levels of the finalists, and the very slight conflict of interest issue. He asked Mr. Wilson if the external auditor would have any influence or make any determinations based on anything Ms. Costa has done in the past. Mr. Wilson responded that for the CAFRA report, the auditors will have to go back ten years, so yes. He asked what is Ms. Costa's relationship to the principal in the firm; Mr. Wilson responded sister. He then asked if Mr. Wilson considered this a conflict of interest. He noted it is not a real conflict in that the committee is not making a recommendation to someone's economic benefit; however, the town administration is being warned to beware the appearance of a conflict and under the new regulations, the administration will be reviewing hiring and making changes in order to comply.

Councilor Smart noted he understands the money issue; however, there is still the option to go back to the final firms and request that pricing be renegotiated. He also noted that he does not want the owner of a company doing an audit in a department where a sister to the owner used to work. He urged the committee to consider this. He does not feel there is enough distance between Malloy Lynch & Bienvenue to consider them at this time.

Councilor Molisse noted Ms. Costa has been gone two years, and the price difference along with the firm's qualifications is reason to consider the firm. With the cuts throughout town departments, the price difference is a lot of money. He supports a recommendation for Malloy Lynch & Bienvenue.

Councilor Smart noted he does not feel the firm is qualified for the scope of work Weymouth requires.

Councilor Mathews read from the town charter concerning audits. "... The town shall annually provide for an outside audit of the books and accounts of the town to be made by a Certified Public Accountant, or a firm of Certified Public Accountants who have no personal interest, direct or indirect, in the fiscal affairs of the town or any of its officers." He noted that the potential for a conflict is there. He does not know under what terms the employee left the town.

Councilor Smart asked if the committee needs to vote the issue now, and further questioned if the committee have time to go back to the finalists and ask Melanson Heath & Co. to meet the low bid.

Councilor Mathews noted he would like to go with experience, and is not concerned with a three-year contract at this time. He would prefer to choose a firm with experience with Tier 1 communities, especially in light of the error in a report by the previous external auditor and the issues with Net School Spending which resulted.

Councilor O'Connor asked if O'Connor and Drew had Tier 1 accounting experience. He is also in favor of a company with local ties. Councilor Smart wants a firm who knows nobody and owes nothing. Chairman DiFazio noted that there is nothing to be gained by

the auditing firm chosen that would appear as a conflict.
Councilor Mathews noted the town council meeting will be absent voting members.

The committee then reviewed with the CFO the timeline process. Mr. Wilson noted the initial discussion will be in June, but work cannot begin until the books close for the fiscal year. The field work will be performed in July; in August the statements will be prepared. The information will then be compiled and the basic financials are presented in September from which the MDNA will be written. In October, the management letter is prepared and by that point, the DOR has also reviewed books and records, and comparison with the DOR and independent audit reports is completed.

A MOTION was made by Councilor Smart to exclude O'Connor & Drew; Sullivan, Powers & Company; Sullivan Rogers & Company from further consideration and was seconded by Councilor Mathews. UNANIMOUSLY VOTED.

A MOTION was made by Councilor Smart that the Council President contact the two finalists in an effort to seek best and final price for a three-year bid from Malloy, Lynch & Bienvenue and Melanson, Heath & Co. for consideration at the May 17, 2010 Town Council meeting.

Councilor O'Connor recommended amending the motion to include a stipulation that the Budget/ Management Committee accepts the lowest bid. Councilor Mathews noted the committee is not obligated to accept the lowest bid and cautioned against including language that could be challenged. Councilor O'Connor responded that since the committee is comfortable with the experience of both firms; if Melanson Heath & Company do not meet the low bid, then the committee must take the full town into perspective and the lowest bidder is the one the committee should recommend to the full town council.

VOTE PASSED 3/2.

Adjournment

At 7:25, there being no further business, Councilor Molisse made a MOTION to ADJOURN the meeting and was seconded by Councilor Mathews. UNANIMOUSLY VOTED.

Respectfully submitted by Mary Briggs as recording secretary
Approved by Councilor DiFazio Chairman of Budget Management Committee