



**CITY OF CALLAWAY, FLORIDA  
CITY HALL**

6601 East Highway 22, Callaway, FL 32404  
Phone 850-871-6000 • FAX 850-871-2444  
www.cityofcallaway.com

**Mayor**  
Thomas W. Abbott

**Commissioners**  
Dennis A. DeLapp  
Pamn Henderson  
David Otano  
Ralph L. Hollister

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**NOTICE OF MEETING**  
**CALLAWAY AUDIT COMMITTEE**  
**AUDIT COMMITTEE MEETING**  
**MONDAY, OCTOBER 14, 2013, 6:00 P.M.**  
**CALLAWAY ARTS & CONFERENCE CENTER**  
**500 CALLAWAY PARK WAY, CALLAWAY, FL 32404**

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Pamn Henderson

John L'Heureux

Shelley McKinney

Larry Johnson

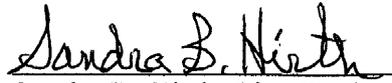
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**AGENDA**

CALL TO ORDER  
ROLL CALL  
APPROVAL OF MINUTES – June 13, 2013

**BUSINESS ITEMS:**

ITEM #1 Discussion on Auditor's Letter Regarding Observations/Recommendations

  
Sandra B. Hirth, City Clerk

If a person decides to appeal any decision made by the City Commission with respect to any matter considered at the meeting, if an appeal is available, such person will need a record of the proceeding and such person may need to ensure that a verbatim record of the proceeding is made, which record includes the testimony and evidence upon which the appeal is to be based. Any person requiring a special accommodation at this meeting because of a disability or physical impairment should contact Callaway's City Clerk, at 6601 E. Highway 22, Callaway, FL 32404; or by phone at (850) 871-6000 at least five calendar days prior to the meeting.

If you are hearing or speech impaired, and you possess TDD equipment, you may contact the City Clerk using the Florida Dual Party Relay System, which can be reached at 1-800-955-8770 (Voice) or 1-800-955-7661 (TDD).

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**Fire Department**  
P: 850-871-2753  
F: 850-871-5564

**Leisure Services**  
P: 850-874-0031  
F: 850-874-9977

**Planning / Code Enforcement**  
P: 850-871-4672  
F: 850-871-2404

**Public Works**  
P: 850-871-1033  
F: 850-871-2416

**Arts & Conference Center**  
P: 850-874-0035  
F: 850-874-0706

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# CALLAWAY AUDIT COMMITTEE MEETING

June 13, 2013

TIME: 6:00 P.M.

Meeting was called to order by Chairperson McKinney at 6:00 P.M.

ROLL-CALL – PRESENT: Commissioner Henderson, Doug Smith, John L'Heureux, and Chairman Shelley McKinney,

ALSO PRESENT: Assistant to the City Manager Hirth

## **APPROVAL OF MINUTES:**

Commissioner Henderson moved to approve the Audit Committee meeting minutes of March 13, 2013. Committee Member Smith seconded the motion.

All ayes

## **BUSINESS ITEMS:**

### **ITEM #1 EVALUATION OF REQUEST FOR PROPOSALS FOR AUDITING SERVICES AND FORMAL RECOMMENDATION TO COMMISSION FOR AUDITING FIRM FOR THE CITY OF CALLAWAY**

Chairman McKinney began the discussion by asking all Committee Members if they had reviewed and scored the six (6) Request for Proposals (RFP). Everyone agreed they had completed their evaluations.

Chairman McKinney stated she had noted several items that should be included on the Scoring Instrument in the future. They were: 1) put a place for the firm's name at the top of both pages of the Scoring Instrument; 2) be sure the Scoring Instruments are dated and signed; and 3) include an explanation/instructions on scoring. She explained that the first page of the instrument was to be sure all required information had been submitted by the firm and the second page was the actual scoring of points earned. She asked if everyone had completed their instrument in this way and everyone had agreed they had done so. Chairman McKinney stated she would maintain the Committee Member's scores for each firm as the firm was discussed by each member. The Committee began their evaluation.

#### **Mauldin & Jenkins, LLC**

Commissioner Henderson noted they had done a lot of governmental accounting and that one client had been with them for 43 years. She said they had not included their peer review. She further stated that she received an email from the firm with the information but said she did not adjust her scoring information due to its receipt. She scored them 17 points.

Committee Member Smith felt the proposal was an average proposal and gave them a score of 18 points.

Committee Member L'Heureux said each person had experience in auditing as stated in their resumes and two members who served on the GFOA Special Review

Committee for the Certificate of Achievement for Excellence in Financial Reporting. He stated they were the lowest bidder and gave them a score of 18.

Chairman McKinney stated that only one member gave a copy of their license, there was not any indication of peer review information, the table of contents was not done correctly and Bradenton is their base of operations. She gave them 16 points.

### **Saltmarsh, Cleaveland & Gund**

Commissioner Henderson said this firm received her lowest score and stated she had previously worked for this firm. She said they did not list any special experience and that Certificate of Achievement was not addressed. They also have audited two cities. She gave them a score of 16.

Committee Member Smith stated this firm was tied with another firm for his lowest score. He stated they had a standard appearance and were non-specific. He scored them with 16 point.

Committee Member L'Heureux this firm did not give a list of audits they had performed and was average overall. He gave them 17 points.

Chairman McKinney said they did not list any reference to the Certificate of Achievement for Excellence and report was not specific on audit approach. She awarded them 17 points.

### **Warren Averette, LLC**

Commissioner Henderson stated their proposal was a standard proposal. She noted the resumes gave hours and did not specify the hours on governmental accounting. She said they had audits with twelve cities and a county which is acceptable. She also stated they had audited our City for the past three years and yet the quoted cost was still high. She gave them 17 points.

Committee Member Smith said their table of contents was easy to follow and good. He stated they know our City quite well and have given very good service for the past three years. He gave them 19 points.

Committee Member L'Heureux stated nothing jumped out at him and that they met required criteria. He said they had a slightly higher cost. He gave them 17 points.

Chairman McKinney said her comments are the same as noted by the other members of the Audit Committee. She gave them 18 points.

### **Carr, Riggs & Ingram**

Commissioner Henderson said they made an error when they stated there was no conflict in interest because they audited Callaway four years ago. She stated they received two Certificates in Excellence and have audited 40 cities with one client being with them for 28 years. She gave them a score of 16.

Committee Member Smith stated their history with the City was not so good. He also stated they know the City so they should have put more City known information into it. He scored them with 16 points.

Committee Member L'Heureux said they had a great cost, like their experience with cities and government audits. He stated their personnel had great resumes. He scored them with 19 points.

Chairman McKinney stated they had outstanding resumes and copies of the licenses were included. She said their methodology was excellent and was impressed with their continuing education practices. She gave them a score of 19 points.

### **Powell & Jones**

Commissioner Henderson stated this was her favorite submission. They have a lot of experience and do only audit work, no tax services. She said they have one office but feels it is large enough to handle the City's account. They have twenty-four clients with their information included. They gave detailed experience information and the price was not too bad. She gave them 20 points.

Committee Member Smith said information presented was average. He stated there was nothing in the proposal that stood out and felt the overall proposal was not outstanding. He gave them 17 points.

Committee Member L'Heureux stated they only gave the required information on one person that he could find in the proposal and this was not what they had asked for. He said he like their work plan. He gave them 16 points.

Chairman McKinney said it was a good proposal and noted they remarked about the risk assessment for the City. She stated they had good experience. She gave them 16 points.

### **Purvis & Gray & Company**

Commissioner Henderson said she did not rank this proposal very high. She stated they have 24 Certificates of Excellence and they serve 28 cities and counties. She said the price was on the high side. She gave them 17 points.

Committee Member Smith stated they did a good job on their proposal. He gave them 18 points.

Committee Member L'Heureux said they did a great job on their proposal, the table of contents was excellent and their experience was excellent. He gave them 21 points.

Chairman McKinney said they have been in business a long time. She mentioned they included copies of their licenses and said it was an excellent report. She gave them 19 points.

This concluded the discussion on individual reports. Chairman McKinney and Assistant to the City Manager Hirth tallied the points. The points totaled to the following:

Purvis, Gray & Company	-	75
Warren Averett, LLC	-	71
Carr, Riggs & Ingram	-	70
Powell & Jones	-	69
Mauldin & Jenkins, LLC	-	69
Saltmarsh, Cleveland & Gund		64

After discussing the rankings it was decided the highest two companies would be presented to the Commission for their decision at the June 25, 2013, Commission Meeting. It is also recommended they allow each company to do a 5-10 minute presentation and that there will be room for price negotiation with the selected company.

Commissioner Henderson moved that the Audit Committee present the two top ranked firms to the Commission and that they be allowed to give a 5-10 minute presentation to them at the Regular Commission meeting on July 9, 2013 so they can choose the auditing company of their choice. In addition the Audit Committee recommends the Commission appoint someone to negotiate the cost for services with the identified company in hopes of coming to a more agreeable cost for the City. Committee Member Smith seconded the motion.

All Ayes

There being no further business to discuss, the meeting was adjourned at 7:04 P.M.

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Sandra B. Hirth, Assistant to the City Manager

**City of Callaway Audit Committee  
Agenda Item Summary**

October 14, 2013

Discussion on Auditor's Letter Regarding Observations/Recommendations

**1. PLACED ON AGENDA BY:**

Shelley McKinney, Chairman

**2. AGENDA:**

PRESENTATION	<input type="checkbox"/>
PUBLIC HEARING	<input type="checkbox"/>
CONSENT	<input type="checkbox"/>
REGULAR	<input checked="" type="checkbox"/>

**3. PRESENTED BY:**

Shelley McKinney, Chairman

**4. IS THIS ITEM BUDGETED (IF APPLICABLE)?:** Yes  No

N/A

**5. BACKGROUND: (WHY, WHAT, WHO, WHERE, WHEN, HOW, & IDENTIFY ALL ATTACHMENTS)**

The Auditors performed some procedures at Callaway City Hall from August 19, 2013 through August 22, 2013. The procedures involved Utility Billing – Cash Receipts, Utility Billing – Rates and Meter Exception Reporting, Cash Disbursements, Payroll and Travel Expenditures (compliance with the Florida Statutes). After performing these procedures/observations, the Auditors sent a letter to the Audit Committee dated September 12, 2013 noting their observations and recommendations.

These four observations/recommendations will be reviewed by the Audit Committee and the Auditors via telephone conference call.

**ATTACHMENT:**

- Warren Averett Letter Dated September 12, 2013

**6. REQUESTED MOTION/ACTION:**

Audit Committee to make recommendations to the Commission for new procedures to be put into place in the areas of Utility Billing – Cash Receipts, Utility Billing – Rates and Meter Exception Reporting, Cash Disbursements, Payroll and Travel Expenditures.

September 12, 2013

Audit Committee  
City of Callaway, Florida

We have been engaged to audit the financial statements of the City of Callaway, Florida (the City), as of and for the fiscal year ended September 30, 2013. As a part of this audit, procedures were performed for the interim period from October 1, 2012 through July 31<sup>st</sup>, 2013. These procedures were performed at Callaway City Hall from August 19, 2013 through August 22, 2013.

The procedures performed included understandings, walkthroughs, and tests surrounding the following transaction cycles:

- Utility Billing - Cash Receipts
- Utility Billing – Rates and Meter Exception Reporting
- Cash Disbursements
- Payroll
- Travel Expenditures – Compliance with the Florida Statutes

Our procedures produced the following observations and recommendations. Number 1 and 2 would likely be considered a management comment to be included in the September 30, 2013 audit report. Numbers 3-4 are items that we want to bring to your attention but are not normally something we would include in the report – just points of discussion. We will be happy to attend your next audit committee meeting via conference call if you would like to discuss further. We have discussed these items with City Management.

**1. Review of Bank Statement Reconciliation**

**Observation**

At present, the Director of Finance performs the monthly bank reconciliations without a formal review and approval by another individual.

**Recommendation**

We recommend that a member of the City Commission, on a rotating basis, review and approve the monthly bank reconciliations. The person responsible for the review should not be part of the cash receipt or disbursement recording function. To be most effective as a control procedure, we recommend that these reconciliations be performed as soon as possible after they are prepared in order to timely and effectively resolve any unreconciled differences.

In addition, we recommend that the reconciliations be signed and dated as an indication of approval.

2. **Segregation of Duties Surrounding Purchasing Cards**

**Observation**

Currently, the Assistant to the Director of Finance has the ability to record expenditures into the City's accounting system, initiate purchases with a ghost purchasing card, and approve purchasing card purchases.

**Recommendation**

We recommend the Director of Finance review all transactions initiated using the City's purchasing cards. This monthly review should include comparing the transactions on the purchasing card statements to the actual invoices for propriety. Doing so will assist with properly segregating duties surrounding purchasing cards thus reducing the risk of errors or fraud. We recommend purchases made using the Director of Finance's purchasing card be approved by the City Manager while the purchases made using the City's Manager's purchasing card be approved by the Director of Finance.

3. **Results of Testing of the City's Purchasing Policy – Travel**

**Observation**

Out of ten travel expenditures tested, we noted three instances where the "Travel Request, Reimbursement & Reconciliation Form" was missing a required approval. The "Part 1: Travel Authorization Request" portion of the forms did not evidence approval.

**Recommendation**

We recommend that City personnel obtain travel authorization prior to their trip by obtaining approval of "Part 1: Travel Authorization Request" portion of the "Travel Request, Reimbursement & Reconciliation Form" in accordance with City policy.

**4. Results of Testing of Utility Billing Exception (Nonstandard Reading) Report**

**Observation**

Out of twenty haphazardly selected meter readings which fell into the predefined exception categories and were not reread, one selection had consumption of around 17,000 gallons (which was not the customer's normal usage level), however the City did not obtain a reread for that meter reading.

**Recommendation**

We recommend that the City implement Springbrook's exception reporting feature to allow automated filtering of exceptions rather than a manual review of all readings. Utilizing this feature will reduce the risk of overlooking a meter reading exception, which could result in a customer being over or under billed. From our correspondence with the Assistant to the Finance Director on August 21, 2013, our understanding is that the City is working with Springbrook's support team to define the exception parameters to conform to the City's policies.

This letter is intended solely for the information and use of the Audit Committee, City Commission and management of the City of Callaway, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation from the personnel of the City of Callaway, Florida, during our interim period procedures and look forward to working with them during the year-end procedures.

Sincerely,

*Warren Averett, LLC*

**Warren Averett, LLC**

CPA's and Advisors