

LONGMEADOW AUDIT COMMITTEE
Minutes of June 13, 2011 Meeting
Approved August 11, 2011

Members Present: Ernest Welker, Chair, Glenn Rosenberg, Vice Chair, Christopher Boutin, James Shriver and Stephen Kuhn.

Members Absent: Joseph Occhuiti.

Others Present: Paul Pasterczyk, Finance Director; Thomas Scanlon and Daniel Haynes of Scanlon & Associates, LLC.

Chairman Welker welcomed visitors and called the meeting to order at 4:15 p.m. in the Fire Department Meeting Room.

Independent Auditor Services

Vice Chair Rosenberg led this portion of the meeting. He briefly reviewed the Audit Committee's RFP process to select an independent auditing firm to recommend to the Select Board. He noted that at the last Audit Committee meeting on June 7 Mr. Scanlon reported that should Scanlon & Associates be selected to continue as the Town's auditor, Mr. Haynes would replace him as the account principal and Jeffrey Gendren would replace Gregory Winters as audit manager. This meeting was called in part to permit the Committee to meet and question Mr. Haynes who was unable to attend the June 7 meeting.

Mr. Haynes then described his professional credentials and responded to questions from Committee members about his municipal audit experience and his style of conducting an audit. The Committee explored how Mr. Haynes' conduct of an audit might differ from Mr. Scanlon. During the course of this dialogue Committee members were able to form opinions about Mr. Haynes professional qualifications and his "fit" with Longmeadow.

Members questioned Messrs. Scanlon and Haynes on the firm's rationale for changing the Town's audit team. Mr. Scanlon characterized the change as a partner rotation which is a best practice among public accounting firms and expanded on the benefits of such rotations outlined in Scanlon's Auditing Services Proposal dated April 28, 2011. Mr. Scanlon noted that the firm would not change its partner in charge of the Longmeadow engagement until the FY2012 audit. Mr. Haynes then responded to a series of questions from Committee members about how he would acclimate himself to the Town's audit.

The meeting then turned to consideration of possible additional audit services the Committee or Town officers may want from its auditing firm. There was a discussion as to whether this should be in the form of expanded audit services under the audit engagement letter or separately engaged "agreed upon procedures" (or AUPs). After a thorough examination of this issue it was the consensus of the Committee, Scanlon and Mr. Pasterczyk that such services would be best handled as AUPs with separate report-backs to the Town. Scanlon agreed to provide such expanded services if and as requested for the three-year engagement term at blended rate of \$95 per hour.

Messrs. Scanlon and Haynes were then excused from the meeting and the Committee deliberated on the audit engagement recommendation. The Committee concluded that the Scanlon firm has provided high quality and on-schedule independent auditor services to Longmeadow for many years and has earned the Committee's trust for its competency, professionalism and integrity. In addition, Scanlon's stable and experienced staff with extensive knowledge of and familiarity

with the Town's operations and personnel (and the Town's knowledge of Scanlon's personnel and operating practices) minimize the probability of negative surprises that often arise with changes in service providers. Chairman Welker reported that Scanlon always has been available to the Committee and Town officers to answer questions and discuss and opine on numerous financial and accounting topics of interest. In recent years, OPEB has been one such topic.

In terms of cost, Scanlon was the lowest bidder among the Committee's top three rated audit firms. Scanlon's proposed fee for independent audit services is \$26,000 per year, compared to \$25,000 charged in recent years. It was noted that Scanlon's annual fee of \$26,000 (\$78,000 over the proposed three-year contract term) is \$8,500 less per year (\$25,500 less over the proposed contract term) than the Committee's second-rated firm. Assuming the Committee engages Scanlon for \$4,000 per year of additional AUP services, the total cost of \$30,000 per year would be \$4,500 less per year (\$13,500 less over the contract term) than the second-rated firm.

Recommendations to Select Board

After further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted.

RESOLVED that, after completion of a diligent search and review process for independent auditor services, this Audit Committee recommends Scanlon & Associates, LLC ("Scanlon") as independent auditor of the Town of Longmeadow ("Longmeadow") for fiscal years 2012, 2013 and 2014 at a fixed rate of \$26,000 per year; and

FURTHER RESOLVED that, in order to provide for additional audit services at a fixed price, this Audit Committee recommends contracting with Scanlon for up to \$4,000 per fiscal year for additional "agreed upon procedures" services, subject to Longmeadow appropriation and in the sole discretion and under the direction of this Committee, at a fixed rate of \$95.00 per hour.

Finance Director Paul Pasterczyk, who actively participated in all aspects of the RFP process, expressed his concurrence in the Committee's recommendations.

Oversight/Audit Responsibilities for High School Building Project

Mr. Boutin reported on the status of this matter. After a brief discussion it was determined that he would follow up with the co-chairs of the School Building Committee on several open items.

Other Business

Next Meeting. The next Audit Committee meeting was not scheduled.

There being no further business, upon motion duly made and seconded, the meeting adjourned at 6:05 p.m.

Respectfully submitted,

Stephen Kuhn

Stephen Kuhn, Clerk

Documents used by Committee members in preparation for or at the meeting:

- Auditing Services Proposal of Scanlon & Associates dated April 28, 2011.