

**LONGMEADOW AUDIT COMMITTEE**  
Minutes of June 7, 2011 Meeting  
*Approved August 11, 2011*

Members Present: Ernest Welker, Chair, Glenn Rosenberg, Vice Chair, Christopher Boutin, James Shriver

Members Absent: Steven Kuhn, Joseph Occhuiti

Others Present: Paul Pasterczyk, Finance Director; Richard Bienvenue and Robert Lynch of the firm Malloy, Lynch, and Bienvenue; James Powers and Michael Nelligan of the firm Powers & Sullivan; and Thomas Scanlon, Jr. of the firm Scanlon & Associates

The Chairman called the meeting to order at 6:00 p.m. in the Fire Department Meeting Room.

Interviews of Candidate Firms for Independent Auditor Services

Vice Chair Rosenberg led this portion of the meeting. He briefly reviewed the Audit Committee's process that led up to this interview session. Out of the eight audit firms to which a Request for Proposal (RFP) was sent in March, five firms submitted written proposals. After reviewing these proposals, a sub-committee of the Audit Committee and Mr. Pasterczyk recommended to the full Committee, and the Committee unanimously accepted the recommendation, that firms Malloy, Lynch and Bienvenue, Powers & Sullivan, and Scanlon & Associates be invited to meet with the Committee and Mr. Pasterczyk for separate face-to-face one hour interviews, Malloy, Lynch at 6:00p.m., Powers at 7:00 p.m., and Scanlon at 8:00 p.m.

To provide focus for the presenting firms, the Committee prepared a memorandum outlining its duties according to the Town's Charter and related elaborating documents together with some general audit procedures and matters the Committee asked them to address at the meeting. The firms had the opportunity to make their case (some handouts were distributed) and there was considerable back and forth discussion among firm representatives, Audit Committee members and Mr. Pasterczyk.

Much discussion with Malloy, Lynch and with Powers (neither of which had ever served as Longmeadow's Independent Auditor) was about the firms' histories, client lists, total staff, credentialed staff, and managers and partners, specific partners/managers that would be assigned to our audit if their firm were retained, and the firm's operating practices. Because both firms did not have offices in Western Mass, they were asked about possible charges-backs for travel (both answered: their quoted fees were all-inclusive for standard audit services, including for whatever number of meetings Town wanted) and availability for consultation with AC or Finance Director (both answered: distance would not be an impediment to properly servicing Longmeadow if given the job).

Because Scanlon has served Longmeadow continuously as Independent Auditor since about 1990 (although for just three audits since Thomas Scanlon, Sr. retired) matters of discussion were quite different. Aware that competing firms would probably promote (and they did) the benefits that come with fresh "eyes" and thoughts and somewhat different approaches, Mr. Scanlon stated that "just today" he had discussions with his partners on changing the partner leading the Longmeadow engagement beginning the first year of the new contract if Scanlon & Associates were retained. Asked what plans leadership at Scanlon & Associates had for the firm 5-years from now, Mr. Scanlon said he expected the firm would be much as it has been and is now; they don't want to get larger, but do want to improve their services.

As Scanlon's interview period was nearing its end, Mr. Boutin spoke of continuing concerns within the AC that absence of a meaningful internal audit function within the Town left members uneasy, and he asked, paraphrasing, If 10 more days of time could be allocated to addressing these concerns, what would you do? Mr. Scanlon indicated he was most reluctant to answer the question because his firm has been giving Longmeadow's financial statements its opinion that they fairly present the Town's financial condition in all material respects, that this involves the firm's judgment that the Town's financial procedures are sufficient, and thus for him to answer the question would open the possibility of its being taken evidence that the firm's "clean" audit was unjustified. Mr. Boutin stated, as a rhetorical question, that auditing firms and their clients are not prohibited from contracting for specified "agreed upon procedures," and

Mr. Scanlon acknowledged such is true. After Mr. Boutin said that is what he had in mind, Mr. Scanlon agreed to respond. Prefacing his remarks by saying he would like more time to think about it, he answered his initial thought would be to pull more invoices for examination and to examine human resources.

#### Committee Discussion of Candidate Firms

Upon completion of the interviews, the Committee and Mr. Pasterczyk discussed the candidate firms. It was first observed that Scanlon & Associates fee of \$26,000 per year (only \$1,000 per year higher than currently), totaling \$78,000 for the three years of the contract, was substantially less than the fees of the other two firms: Malloy's total was \$99,000 and Powers total was \$100,500. Mr. Pasterczyk was asked for his opinion of Malloy and of Powers. He said he thought they had the competence and capability to perform the services, had not heard anything negative about either firm, and had heard positive things about Jim Powers. There was discussion about desirability of changing firms for the sake of change (new eyes), and in that discussion there was a general favorable reaction to Scanlon's proposal to change the partner in charge of the Town's audit. Taking note of Scanlon's favorable fee, our high level of satisfaction with Scanlon's services, and Scanlon's offer to change those heading the Town's audit, the Committee agreed it comes down to a decision of whether we need to switch firms. Each member and Mr. Pasterczyk was polled on this, and all agreed there was no compelling reason to change the audit firm.

But before awarding the contract to Scanlon, there was agreement that Mr. Scanlon and Mr. Daniel Haynes, the proposed new Partner in charge of the Town's audit, appear before the Committee to introduce himself, offer comments, and respond to questions. There also was agreement to ask Mr. Scanlon to come prepared to further discuss agreed upon procedures. Chairman Welker asked Mr. Rosenberg and Mr. Boutin to make arrangements, coordinating with Mr. Pasterczyk.

#### Acceptance of Minutes

Minutes for the meeting of May 26, 2011 were accepted

#### 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 and Mr. Welker would draft a summary of what has been done and tentative conclusions or descriptions of where matters seem stand so that input might be sought from one or both SBC Co-Chairs.

Next meeting to be determined by availability of Messrs. Scanlon and Haynes, members of the Committee, and Mr. Pasterczyk

The meeting adjourned at 9:40 p.m.

Respectfully submitted,

Ernest Welker  
Chairman

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

- Auditing Services Proposal of Scanlon & Associates
- Auditing Services Proposal of Malloy, Lynch and Bienvenue
- Auditing Services Proposal of Powers & Sullivan
- Presentation document to Audit Committee of Powers & Sullivan dated June 7, 2011