

July 17, 2018

The Washington County Board of Commissioners met in a special called meeting on Tuesday, July 17, 2018 at 6:00 PM at the Commissioners' Room, 116 Adams Street, Plymouth, NC. Commissioners Johnson, Phelps, Riddick, Sexton and Walker were present. Also present were County Manager/County Attorney Curtis Potter, Clerk to the Board Julie J. Bennett and Finance Officer Missy Dixon.

AUDITOR PRESENTATIONS AND DISCUSSION: Mr. Potter stated that two of the auditor firms that submitted proposals were in attendance tonight: Mr. Chris Martin, representing Andrew Harris, CPA, PLLC, out of Farmville, NC and Mr. Joel Black and Mr. Adam Fraley, representing Mauldin & Jenkins, LLC out of Atlanta, GA. There was a third bidder who sent in a proposal, Thompson and Price, out of Whiteville, NC, but they were unable to send someone to speak to the Commissioners this evening.

Mr. Potter said the Board's agenda package contained a summary sheet and a recommendation for the Board to authorize the County Manager to enter into contract negotiations with one of these firms. Then the contract would be brought back before the board for approval. Mr. Potter said there was also a table that broke down particulars each firm represented.

Mr. Chris Martin of Andrew Harris, CPA, PLLC had Mr. Andrew Harris on speaker via his cell phone. Mr. Harris spoke to the Board and went over their proposal. Mr. Harris said he has 17 years in governmental audit work and has supervised county audits on a few occasions. His firm also did audits for Hyde County up until 2013. He said he understands the NC county rules that must be followed. The price quoted in the proposal includes financial document presentation. His staff has a lot of governmental experience. Mr. Potter said when he talked to Mr. Harris, he mentioned a judgmental sampling and asked him to explain that. Mr. Harris said they use their knowledge of accounting practices for that and statistical sampling is pulling a random number of documents to audit.

Chair Johnson asked Mr. Harris about doing the audits for Hyde County. How many has he done over the years? Mr. Harris replied he has done seven. Chair Johnson asked how many has he done since the statutes have been changed.

Commissioner Phelps asked why the contract ended in Hyde County in 2013. Mr. Harris said he had worked with them for a number of years, but decided to end the relationship. Commissioner Phelps asked why did his firm charge Hyde County \$22,000 and wants to charge Washington County \$41,750. Why is the cost so different? Mr. Harris said that hourly rates have increased and ways of billing have changed. Commissioner Phelps asked if mileage and travel expenses are included in their cost. Mr. Harris said yes. Commissioner Phelps asked what the \$100/\$125 per hour extra is for. Mr. Harris said it is what they would charge if they have to provide additional services such as reconciling accounts. The difference (whether it is \$100 or \$125) would be due to which auditor performed the services. Commissioner Phelps asked how many auditors he would send to Washington County. Mr. Harris said four. Commissioner Phelps asked

Mr. Harris if he was going to finish Washington County's audit in a timely manner. Mr. Harris said yes, if the information is submitted to them in a timely manner. Commissioner Phelps asked Mr. Harris if he would be against a penalty clause in their contract. Mr. Harris said no, he would not be against that. Mr. Harris said if the information is provided to them in a timely manner then they can do their job in a timely manner. Commissioner Phelps asked if his firm sends letters to staff/commissioners asking if they know of any fraud. Mr. Harris said yes they will be sending those letters. Commissioner Phelps asked Mr. Harris if they would be speaking to staff/commissioners in a language they can understand. Mr. Harris said yes. Commissioner Phelps said that Mr. Potter said Mr. Harris's firm didn't provide all of the information requested. Mr. Potter said they did not provide their ethical guidelines. Commissioner Phelps asked was that asked for in the RFP. Mr. Potter said not specifically. It was asked that they provide some of their policies and guidelines. Commissioner Phelps noted that this firm was scored significantly lower. Commissioner Phelps asked who did the scoring. Mr. Potter said he did the scoring in conjunction with the Finance Officer and came up with what the categories to be scored would be. The firms were not judged on just cost.

Commissioner Sexton asked Mr. Harris if the County had an issue with one department, would that move to the top of the list or be used with the judgmental side. Mr. Harris said yes, it would move to the top of this list. Commissioner Sexton said he has been a Commissioner off and on for over 20 years and knows that the findings have been shared with the County Manager in years past instead of with the Commissioners. Commissioner Sexton told Mr. Harris that if his firm gets the contract, he would like for information to be shared with the Commissioners also.

Next, Mr. Adam Fraley and Mr. Joel Black from Maudlin & Jenkins, spoke to the Board. Mr. Fraley said they have offices in the Southeast and specialize in government. Mr. Fraley said he would be the lead auditor and Mr. Black would assist and also one other person from their firm. Mr. Fraley said Maudlin & Jenkins is celebrating their 100th year anniversary this week. He said they have been serving governments in seven (7) states over 300 governmental entities, mostly in GA and seven (7) in NC including Halifax County and Gates County. Mr. Fraley said his firm services 48 counties and 100 municipalities, both big and small. He said Mauldin & Jenkins is a full service firm, logging over 300,000 hours a year; however, some of those hours are for doing taxes. Mr. Fraley went on to say that this is their first year working with Halifax County and Gates County and they have been working with Orange County since 2016. Mr. Fraley said his firm is well versed in GASBY and LGC requirements. They also have experience in transitioning from past auditors to their firm. He believes in open communication. Mr. Fraley also said his firm did not have any audits submitted past the given deadline. He did say that his firm will invest more hours in Washington County during the transitioning year. Mr. Fraley said his firm is ready to serve Washington County. His team will also be meeting with management throughout the audit process. Also, he will try to maintain their team unless something different is requested from the County. Mr. Fraley said Mauldin & Jenkins have low turnover which allows for consistency in the audit team. They don't charge for questions. They also see it as a partnership. Mr. Fraley also said he expects questions throughout the year to timely address issues before the audit. His firm also provides free continuing education on internal controls, GASBY standards, etc.

Mr. Black said they are looking to grow in NC and want to have an office in this area. They have talked with the state auditor regarding Medicaid in NC audits. There is a high level of management involved in the audit. Mr. Black said he also serves on a panel with Sharon Edmundson of the LGC. Mr. Black said his firm has also made presentations during the NCACC conferences and that Mauldin & Jenkins is trying to get more integrated into NC practices. Mr. Black said they have a lot of experience with transitions and knows how difficult they can be. He feels their firm is responsive. They don't let their office being in Atlanta be an issue. They are used to traveling. Mr. Black said they are very proactive.

Commissioner Sexton asked if Mauldin & Jenkins have a certain amount of trips built into the bid price. Mr. Fraley said they first have a planning visit. Commissioner Phelps asked if that is extra. Mr. Fraley said no, it is built into their price. They know there may be more visits the first year.

Commissioner Phelps said he is glad to see they are doing Gates County's audit since they are similar to Washington County. Commissioner Phelps asked if Gates County's fee is the same as Washington County's. Mr. Fraley said he thinks the fee for Washington County may be a little higher (\$54,500). The price includes food, hotel, mileage and air fare. Commissioner Phelps asked why Mauldin & Jenkins wants to expand to NC. Mr. Fraley said they wanted to branch out to states in the Southeast and the clients fit well with them. Commissioner Phelps asked if they provide an audit that is statistical instead of judgmental. Mr. Fraley said statistical is usually done. Judgmental may be trending but statistical may make more sense in some samplings. He also said it depends on the balances and the risks.

Commissioner Phelps asked if Mauldin & Jenkins would be opposed to a penalty clause in their contract if Washington County's audit is late through no fault of the County's. Mr. Fraley said they want to get audits in on time. It would be a challenge to have a clause like that. They have had no audits go past the deadlines set by the State. Commissioner Phelps asked if Mauldin & Jenkins are going to be transparent in their findings. Mr. Fraley said yes, findings are a learning tool. Commissioner Phelps said wants them to be as transparent as possible.

Commissioner Phelps asked how does he explain to the citizens that, if the County uses your firm, why the Commissioners went with a GA firm when two NC firms sent in proposals. Mr. Fraley said they have the resources so Washington County will not get lost in their firm. Mr. Fraley said he feels Mauldin & Jenkins have that "small county" touch. Mr. Fraley told Commissioner Phelps he could tell the public that this company has the best resources to get the job done timely and correctly.

Commissioner Walker asked how Mauldin & Jenkins come up with their topics for training. Mr. Fraley said it is based on past experience. Mr. Fraley said he would be glad to hear any topics the Board would like training on.

Mr. Potter asked Mr. Fraley if anyone on their firm has worked in NC local government. Mr. Fraley said no, they do not have anyone who has worked in NC local government on their staff.

Commissioner Phelps asked what the deadline is for audits to be completed. Mr. Potter said it is typically by October 31; however, that is usually not achievable. Our audits have been as late as the end of November or December. Commissioner Phelps asked if Mauldin & Jenkins could have Washington County's audit ready by the end of October. Mr. Fraley said that is their goal, but sometimes it is not reached because the State has not given the information to the County that it needs for the audit.

Commissioner Phelps asked what did the County appropriate for the audit. Mr. Potter said the County budgeted approximately \$45,000 for the audit. There is \$68,000 in the line item but some of that will need to be used for other expenses.

Mr. Potter said the third applicant, Thompson Price, was not able to send anyone because their auditors were in the field. Mr. Potter went on to say that the reason staff recommended Thompson Price is because of the experience they have in doing NC audits. Mr. Potter and Ms. Dixon did have reservations about the distance of Mauldin & Jenkins being in GA. Thompson Price was recommended by staff and Mr. Potter also questioned other counties that had used Thompson Price and received positive feedback. Mr. Potter said Thompson Price's fee could increase if they did not include the TTA portion in their proposal of \$47,000. Mr. Potter has to clarify that with them. Commissioner Phelps questioned why Thompson Price could not send anyone to our meeting. He feels that they don't seem to be taking our process seriously.

Commissioner Phelps said they charged Hyde County \$22,000 and charged Pasquotank County \$17,500. Why are they charging Washington County \$47,500?

Chair Johnson asked if the proposal was for a one year contract. Mr. Potter said he asked for a price for one year to three years.

Commissioner Phelps asked if Mauldin & Jenkins included the TTA in their proposal. Mr. Potter said yes they did. Mr. Potter also said that the two other bidders did not.

Chair Johnson asked Mr. Potter if the decision needed to be made tonight. Mr. Potter said he would like for the Commissioners to authorize him to enter into a contract with one of the firms. The final contract still would have to come back to the Board. Washington County is already behind since some items needed to be worked on in June. Chair Johnson asked the Board about their thoughts.

Commissioner Riddick liked Mauldin & Jenkins.

Commissioner Walker would like to talk to the folks at Thompson Price.

Commissioner Phelps said he feels that the Board needs to make a move and feels that Thompson Price isn't serious about wanting to be Washington County's auditor.

Commissioner Sexton would like to wait a few more days so he can make some calls. He would like to keep the County's business in NC.

Mr. Potter said he has tried to catch up with staff at Thompson Price for the last few days to have someone here tonight, but with no luck.

Commissioner Riddick made a motion to authorize the County Manager to negotiate with Mauldin & Jenkins. Commissioner Walker asked if the County should go with Mauldin & Jenkins before knowing how much it will cost the County. Mr. Potter said that he will negotiate with Mauldin & Jenkins and bring a contract back to the Board for consideration. **Commissioner Phelps seconded, motion was carried with 4 ayes and 1 nay (Commissioner Sexton).**

At 8:05 PM, back in Open Session, with no further business to discuss, **Commissioner Riddick made a motion to adjourn the meeting. Commissioner Sexton seconded, motion carried unanimously.**

Tracey A. Johnson
Chair

Julie J. Bennett, CMC, NCCCC
Clerk to the Board