

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' FINANCE AND AUDIT COMMITTEE MEETING
LAS VEGAS, NEVADA
MARCH 14, 2013
(approved April 11, 2013)

The Board of Trustees' Finance and Audit Committee of the Las Vegas-Clark County Library District met in regular session in the Sahara West Library, Las Vegas, Nevada, at 4:30 p.m., Thursday, March 14, 2013.

Present: Committee: M. Saunders, Chair R. Ence
S. Moulton K. Benavidez (ex-officio)
Y.Yturralde (via telephone/in person)

Board: K. Crear

Counsel: G. Welt

Absent:

Staff: Jeanne Goodrich, Executive Director
Fred James, Deputy Director/CFO
Floresto Cabias, Assistant Finance Director
Allison Boyer, Executive Assistant

Guests:

M. Saunders, Committee Chair, called the meeting to order at 4:31 p.m.

Roll Call (Item I.) All members listed above represent a quorum. Trustee Benavidez and Trustee Crear arrived at 4:35 p.m. Trustee Yturralde attended via telephone until she arrived in the meeting room at 4:50 p.m.

Public Comment (Item II.) None.

Agenda (Item III.) Trustee Moulton moved to approve the Agenda as proposed. There was no opposition and the motion carried.

Discussion and possible Committee action regarding the selection of an auditing firm for the fiscal year ending June 30, 2013. (Item IV.) Deputy Director CFO Fred James explained that Nevada Revised Statutes (NRS 354.624) require the Board of Trustees to designate its auditor or firm not later than three months before the close of the fiscal year for which the audit is to be made.

In January, the Business Office requested proposals from qualified firms of certified public accountants to audit the District's financial statements for the fiscal year ending June 30, 2013, with four one-year extensions. The Request for Proposal was advertised in accordance with District policies and procedures. Respondents were asked to submit technical proposals with sealed dollar costs.

Three firms responded to the District's Request for Proposals: Piercy Bowler Taylor & Kern (Piercy), Kafoury Armstrong and Company (Kafoury) and BDO. A thorough review of each proposal was conducted to determine capacity and capability to perform the audit of the District's financial statements. From this review, the following pertinent points were noted for each firm:

Piercy Bowler Taylor & Kern (Piercy):

- Has extensive experience in local government accounting and auditing in Southern Nevada.
- Has a staff of 66 employees in the Las Vegas office, 28 of which are available to perform governmental and not-for-profit audits.
- Is considered one of the top firms in performing audits and other services for local governmental agencies in Southern Nevada. Current client list includes Southern Nevada Water District, Las Vegas Valley Water District, Las Vegas Convention and Visitors Authority, Colorado River Commission.
- Has been the independent auditor for the District for over the past ten years and has performed all audits in an outstanding manner.
- Has the best understanding of the District's current accounting and internal control systems.
- Has scheduled 330 hours to audit the District's financial statements.

Kafoury Armstrong and Company (Kafoury):

- Has 10 employees in the Las Vegas office.
- Audit of local government (76% of entire audit practice) is the firm's primary practice area.
- Has extensive experience in local government accounting and auditing in Southern and Northern Nevada.
- Is currently the auditor of the three largest local governments in Southern Nevada as well as many smaller entities: Clark County, Clark County School District, and McCarran Airport.
- Has scheduled 240 hours to audit the District's financial statements.

BDO:

- Has a staff of 28 employees in the Las Vegas office.
- Has available a nationwide network of public accounting and consulting professionals and its independent Alliance member firms focused on serving local, state and federal governmental entities.
- Has over 50 clients who submit their financial statements to the Government Finance Officers Association (GFOA) award program.
- Is also a member of the American Institute of Certified Public Accountants (AICPA) Governmental Audit Quality Center.
- Has scheduled 329 hours to audit the District's financial statements.

Overall Assessment:

- All firms are capable of performing the audit.
- Kafoury's overall hourly charged rate is the highest of the three bidders (being \$30-\$32 an hour **higher** than the remaining two bids). Kafoury also has the lowest overall total dollar amount of \$35,000 due to the lowest amount of billable hours budgeted for the audit. Kafoury has budgeted 89-90 hours less than the other two bidders.

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- Piercy has audited the District for the last 11 years and should be the most efficient performing the audit due to its current knowledge of the District's accounting systems, internal controls, and general operations. Piercy's overall hourly charged rate is \$32 **lower** than Kafoury.
- BDO's hourly charged rate is \$30 **lower** than Kafoury. BDO has scheduled 329 hours for this audit as compared to Piercy (330 hours) and Kafoury (240 hours). BDO does not have any governmental clients in Southern Nevada.
- Kafoury's overall bid is \$35,000, Piercy is \$37,500 and BDO is \$38,000.

Mr. James declined to provide a recommendation for several reasons:

- All three firms are qualified to do the audits.
- The selected firm reports to the Trustees and not to staff.
- Mr. James knows a senior manager at one of the firms.

Mr. James then reminded Trustees that they can select whichever firm they prefer, based upon whatever consideration they choose. Price can be a consideration.

All Trustees present then discussed the three proposals with Mr. James and Executive Director Goodrich answering questions. Issues that were discussed included:

- Number of proposed hours versus the cost of hours as well as the number of hours each firm projected for the audit. Kafoury projected the lowest number of hours at the highest cost per hour, but due to the low number of hours it projected for the audit, is the lowest overall bidder on costs. Piercy has the highest number of hours scheduled, the lowest per hour rate and is in the middle on the total cost (by a VERY small amount compared to BDO). BDO is in the middle on per hour rate (by a VERY small amount compared to Piercy) and the highest on total overall bid cost.
- Preference for a fresh eye on District's books versus experience and continuity. Mr. James noted that all firms can perform the audit and they have all passed a national peer review of audit practices. While Piercy will have the same principal on the audit, the individual auditors have rotated in and out through the years. For a completely fresh eye, the Trustees would need to choose a new firm. For the first year of any new firm, there would be an extensive learning process to understand the District's practices and procedures.
- The possibility of increasing costs in the current year or future years if estimated hours turn out to be lower than necessary. If a firm determined it needed more hours for the audit, it could request a change order, or in future years, if the District extends it as allowed, the firm could decline to extend on their end. The contract only allows for a cost of living increase if the District decided to extend on its end.
- Selecting the best firm to ensure quality and value for the District's constituents as well as library best practices. Ms. Goodrich noted that library systems run as separate

government agencies (i.e. as districts) are actually rare; most are departments of cities or counties who generally have internal audits conducted by the city or county. There are only three large library districts in Nevada.

- Ability to handle the audit with other government jobs. Mr. James noted that Kafoury is a large national firm which has a large number of government clients in Nevada, so has the most experience. Piercy is local and able to respond quickly to questions. BDO is also a large national firm that is trying to attract government clients in Nevada. While they do not currently have any at this time, they do serve government clients out of other offices. They are very eager for this award.

Chair Saunders moved to recommend to the Board of Trustees to authorize the Executive Director to execute a contract for auditing services for the fiscal year 2012-2013 with Piercy Bowler Taylor & Kern in the amount of \$37,500, with options to extend the contract for four additional consecutive fiscal years. There was no opposition and the motion carried.

Public Comment
(Item V.)

None.

Adjournment
(Item VI.)

Chair Saunders adjourned the meeting at 5:07 p.m.

Respectfully submitted,

Michael Saunders, Committee Chair