

**MINUTES OF THE CHESHIRE TOWN COUNCIL AUDIT COMMITTEE MEETING  
HELD ON THURSDAY, JUNE 11, 2015, AT 5:30 P.M. IN ROOM 207, TOWN HALL,  
84 SOUTH MAIN STREET, CHESHIRE CT 06410.**

Present

Patty Flynn-Harris, Chair; David Schrumm. Absent: Robert J. Oris.  
Staff: James Jaskot, Finance Director; Gina DeFilio, Deputy Finance Director;  
Vincent Masciana, Director of Management Services, Dept. of Education

**1. ROLL CALL**

The clerk called the roll and a quorum was determined to be present.

**2. PLEDGE OF ALLEGIANCE**

The group Pledged Allegiance to the Flag.

**3. INTERVIEWS WITH AUDIT FIRMS.**

**A. McGladrey, LLP. - Scott Bassett, CPA, Engagement Audit Partner**

Mr. Bassett distributed information on McGladrey LLP to those present. In his presentation on the firm, he stated it is the 5th largest in the country with a focus on the public sector industry; the firm audits 58 of the AAA communities in Connecticut; and is the 2nd largest provider of single audits in the country.

Mr. Bassett reviewed the engagement team qualifications and experience -- Tony Ceci, Jr. CPA; Paul Sabetta, CPA; Pat Hagan, CPA, and they bring a commitment and skill set across multiple disciplines to the process. Mr. Bassett works out of the New Haven CT office. On the national level, McGladrey has people who sit on the state and local expert panel of AICPA, with a director of the firm chairing the Quality Audit Panel.

Quality Control Process - Mr. Bassett reviewed the audit process. When an audit is completed, it goes through a quality control process from an independent partner, who has no financial stake in the report or the economics of the engagement. This partner's job is to make sure the report is in accordance with all accounting principles and is done in accordance with government auditing standards. This adds to the quality of the process.

Page 4 - lists a sample of the local and national clients of McGladrey; the firm has 2300 government clients nationally and 65 dedicated regional public sector professionals.

Mr. Bassett cited the fact that he and the firm have an understanding of the Town of Cheshire as the external auditing firm for several years. He commented on Cheshire being proud of its AAA rating, the refunding of \$5 million in March 2015, good interest rate and savings, strong fund balance, and the town being well managed and operated. 64% of the operating budget is for education.

The audit approach is the typical audit approach which changes each year, rotating through different cycles, different transactions, (vendor transactions, payroll transactions, cash collections, grant revenues), looking at departments in cycles, and the management letter comments are based on things looked at during the process. He said McGladrey has a good understanding of the Town and Board of Education. Risk assessments are done on internal controls and the firm comes through with its report. The firm has an integrated approach, integrates the Town and BOE wherever possible, with separation of testing on grants, vendors and payroll operations.

Communication is key, and McGladrey auditors try to communicate where they are in the course of the audit, with auditors staying on task. Mr. Bassett stated the firm takes pride in its client services, educates clients, conducts quarterly webinars, provides help, suggestions, guidelines, and returns phone calls and e-mails. New GASB out there is at 75 and accounting is an ever changing field.

McGladrey is a full service accounting firm; the client audit comes first outside of other accounting services; and I.T. staff helps clients with services outside the audit. As a large firm there are many resources, with the right people, right cost, understanding of business issues, commitment to client services. Mr. Bassett stated Cheshire will be a premier client. During the current contract, he noted there have been many face to face meetings, with good two way communication.

With McGladrey having the expertise behind it, Ms. Flynn-Harris asked about the number of hours proposed, i.e. 560 hours, comparable to the last contract.

The 560 hours is an estimate; the audit never comes under this number; and Mr. Bassett said the average is 600 hours. He commented on the good staff of the Town and BOE, and this is recognized with the few audit adjustments for Cheshire. The committee was told by Mr. Bassett that the only time McGladrey has to charge an additional fee is if there is a new accounting or auditing standard, i.e. GASB 67 this year with 6+ pages of notes. This year the new standards will not impact the audit procedure, but the Town may incur additional actuarial costs going through the process to get the actuarial number to finish the audit. McGladrey keeps its own actuaries on staff, and going forward they will be a big part of the audit process.

Mr. Jaskot stated that the auditors must project liabilities for financial reporting on a different method than that for funding purposes. On the disclosures it must show the types of investments the Town has, and assumed rates for each type, and what changes if assumptions are changed by half a point.

According to Mr. Bassett the ED001 changes each year, and the new process will have extra cost for out of district students. There will be an expansion of what must be done, especially for students staying in district, and the extra charge could be about \$1,000.

With regard to the fees, Mr. Jaskot noted that McGladrey is on the lower end of the proposal, and he asked about the firm having concerns about doing a quality audit for this fee.

In response, Mr. Bassett stated the audit must follow the firm's standards and quality, and in no way are corners cut at McGladrey, which is a conservative firm. He said the proposed fee for Cheshire is low compared to other towns. In Cheshire, McGladrey is getting the financial statement to audit, and in other towns the firm helps prepare the financial statement. The firm cannot do a sub-standard audit because of the internal control process in place, and all reviews are done outside Mr. Bassett's office.

Technology - Mr. Jaskot asked how technology is used to do the audit, and stated Cheshire has gone through massive changes with new technology capabilities, hardware and software. He asked about catching up with what is being done now, and whether there are system weaknesses.

Mr. Bassett said it is probably time for McGladrey's I.T. staff to come in to do a rapid system assessment of the Town's I.T. system. It is guaranteed they will come up with comments. From an efficiency side there is use of the encrypted data base which is time saving, helpful, and provides protection. I.T. staff will look at high level controls, changing password every 6 months, vendor controls etc. If there is sensitive data transported the I.T. staff will provide Town staff with rights to upload things, and protect data.

Pension Plans - Mr. Jaskot asked about concerns on this issue from an audit perspective, diversification of Town plans into private equity etc.

Mr. Bassett said the big question is how the plans are audited, which is important. He explained that the net value could be as of December 31st, with statements as of June 30th. It becomes more sensitive because the pension trust assets are used to value the pension liability based on the new accounting standards. The public sector functions under GASB 40; alternate investments are for the educated investor; there are risks associated with this investment; classifications, disclosure and financial statements are very important.

With McGladrey here for 5 years, Ms. Flynn-Harris asked about the effect of changes in Cheshire with a new 5 year contract.

It was stated by Mr. Bassett that client services come first, and the firm is proactive, educates clients on new laws and changes, provides webinars, staff receives CPE training to keep current, and there is an excellent quality control process. He noted that many clients choose to stay with McGladrey, and there are no short cuts in auditing.

Over the next 5 years, Mr. Schrumm commented on the possibility of getting new eyes and ears in Cheshire, and the pros and cons related to a different auditor.

Mr. Bassett explained that GFOA says there is no need to rotate auditors. If Cheshire feels that McGladrey has lost its objectivity and professional skepticism, is not acting as the Town's external/independent auditors, did not report found issues to the Town...then Cheshire should change auditors. If the product and client service and professionalism are there, there is no reason to change.

Cheshire is in the midst of a performance contract program of \$10 million of work being done with savings from reduced energy costs. Mr. Schrumm said following where the money goes is beyond the average person. There is a firm doing the work, and a firm reviewing the firm doing the work. He asked where this program fits into the audit work.

In that regard, Mr. Bassett said this is imbedded in the financial statements...there is no gain recognized right now...just the substance of the transaction. McGladrey would make sure capital leases are recorded correctly along with related assets. The firm does provide this type of client auditing.

The I.T. review with all the technology changes and upgrades would be done this year for the Town and BOE, and there could be an additional fee involved. Regarding "passwords" Mr. Masciana said the BOE used to have generic log-ons, and there is a mandatory 60 days with a set number of characters.

Mr. Jaskot commented on the upcoming work load, stating it is hard to keep up with everything -- GASB requirements, new statements, etc. He questioned how McGladrey would handle the upcoming difficult year, and the possible loss of their key staff. Mr. Jaskot also stated Cheshire staff has been pleased with McGladrey people working on the engagement.

According to Mr. Bassett, these things would be discussed with Cheshire staff. Last year was a hard year, and this year will be easier, even with changes in accounting principles, and these things are being done right now. He would insure Cheshire staff is comfortable with a new manager, and the firm has a good bench of people who would step up for the audit.

Mr. Schrumm asked about the internal system of McGladrey and noted there is "auditing of the auditor".

Mr. Bassett reiterated that the people doing this work are outside his region. With the firm's quality control process there is lots of risk aversion.

Mr. Jaskot asked the question...what makes McGladrey better than its competition".

In response, Mr. Bassett said what the firm does makes it a better firm. McGladrey is always ready for change; it brings quality staff and team; and delivers a quality product.

There was a brief discussion on the use of cash for Town and school events, parks, etc. and Cheshire putting policies in place to insure safety of cash flow. It was noted by Mr. Bassett that vendors are the big risk issue rather than cash.

Mr. Jaskot thanked Mr. Bassett for his presentation and information on McGladrey LLC.

**B. CohnReznick LLP - Ronald W. Nossek, CPA and Joseph Centofanti, CPA**

Mr. Nossek and Mr. Centofanti are partners in the Government Industry Group of the firm, located in Hartford, CT. There are four (4) managers, total staff of 25, and staff has significant experience. CohnReznick was the auditing firm for the Town of Cheshire about 10 years ago.

CohnReznick is different from its competitors because services are partnership/management led, comprising 25% of the hours on the engagement. The firm would put its best people in front of the Cheshire management staff for a quality experience and relationship, with current clients validating this fact. Mr. Nossek stated CohnReznick is a national firm; work is fully reviewed independent of the audit team; and work is under the national office umbrella.

Staff must meet all the standards of Connecticut and AICPA. Staff attends all AICPA training; managers attend GFOA training; the firm provides in-house staff training at all levels, above the minimum 40 hour requirement.

Mr. Centofanti commented on the excellent level of services provided by CohnReznick, with client recognition of its services, including internal audits and best practices review. He advised that the firm does out-source internal audits.

It was noted by Mr. Jaskot that Cheshire depends on outside auditors to alert staff if something is amiss. He commented on Cheshire priding itself on attaining GFOA Certificate of Excellence Award for Financial Reporting, and said this takes some extra expertise on the part of the auditors to get the report to meet the GFOA requirements. He asked if the firm has any clients in that caliber of reporting.

Mr. Centofanti said the firm has an understanding of GASB 67 and 68, OPEB and pensions, has a contract with state teachers for 68 consulting, and the firm is proactive.

A question was posed by Ms. Flynn-Harris relative to describing the process for going into a municipal audit, the challenges in starting a new engagement.

Mr. Nossek explained that staff has access to the auditing work papers from the incumbent, understanding of internal control systems, documents all of this, with a time commitment in year #1 for this process. Other than that, there is a bit of learning curve, and the extra 100+ hours in the first year of the contract are without additional cost.

Regarding rotating auditors, Mr. Jaskot asked about the firm's thoughts on this...is there an advantage to making a change, or is there no difference.

In today's thinking, Mr. Nossek said there seems to be a need for a recurring cycle, not having the same procedures for an extended period of time. CohnReznick has clients for 25 years.

Mr. Centofanti said it comes down to services...good services, information needed, and there should not be a standard to rotate 5 years and out.

For partnership rotation, Mr. Nossek talks to clients about this, and said it can be worthwhile.

With a municipal audit, CohnReznick starts with the risk assessment. The technology part is understanding the I.T. System with a group dedicated to this evaluation. This is plugged into the internal controls/narrations, risk assessment is done, and audit program is designed.

The committee was informed by Mr. Nossek that the firm is doing some of this work for clients now, and this is about 20% of the total hours. Once fully closed, a schedule is set up to work on the audit. October is the usual time frame. CohnReznick likes to work in a block; on site there is a certain number of weeks for A to Z.

Since CohnReznick was the highest bidder, Mr. Jaskot questioned the justification of a high fee to taxpayers and why the Town would choose the high bidder...is it the right decision.

It was stated by Mr. Centofanti that the level of service makes the big difference; some of the firm's other consulting is unique; it identifies risks etc. and CohnReznick is hired because of its services.

Mr. Nossek commented on the component being the pricing model, and the prices being partner/manager driven. He said the firm's level of services and quality of services is worth the differential.

Client Education - Mr. Nossek and Mr. Centofanti reported that the firm has an interactive education program, puts together web based forums, one-on-one educational training, and extends this to clients. FMLF programs are topics of interest to clients, i.e. health care accounting, meeting with auditors, questions, changes, and more formal training/education.

In the course of a normal audit with new accounting requirements, Mr. Schrumm asked about valuation of assets and pension plans.

Mr. Nossek said the company must do a market value testing to those assets, and this becomes more complicated. For alternative investments Mr. Centofanti there is assurance the client gets the audit report of the pension, attest that the assets exist and the market value. For 5 or 6 clients there is detailed audit work done on the pension plans.

Regarding CohnReznick staff turnover, Ms. DeFilio asked how the firm handles this issue.

This has been a non-issue with CohnReznick, and Mr. Nossek noted there is little staff turnover. There are enough managers and structure in place to service clients. If it were to happen, there would be immediate communication to Cheshire staff; a meeting would be held with the managers; and introduction of who would be assigned to the town's audit services.

If the engagement is won by CohnReznick, Mr. Masciana asked if someone is ready with a staff below this manager to handle services, and how hours are estimated.

According to Mr. Nossek the firm has a manager ready for the engagement job. He stated that CohnReznick looks to the quality of staff in the Finance Department and BOE Finance Department. Without seasoned staff, hours can increase. The fee is the fee...anything out of the scope will be addressed with staff for agreement or not...or find a way around the issue.

Mr. Masciana asked about ED001 student activity account being within the hours stated. Mr. Nossek said it was within the hours.

Over the years there has been additional billing to the Town, and Mr. Jaskot cited the fact that he and Ms. DeFilio do much of the preliminary work for the audit. He asked if CohnReznick had any client relationship problems, discord from a client, and severed relationships.

Mr. Nossek answered "no". He gave a short summary of why CohnReznick is set apart from other firms. Of importance is the partner/manager led services for the audit. He worked on the Cheshire audit many years ago, noted that over 10 years Cheshire has changed, and there is loss of institutional knowledge. He said investments will be classified based on the market value of assets.

For the GFOA Excellence award, Mr. Jaskot said this takes extra time for the auditors to meet this requirement. Cheshire received an upgrade to AAA credit rating. He asked about CohnReznick's working on this with Town staff.

About one-half of the firm's clients are in this category, and Mr. Nossek acknowledged rating agencies prefer this rating and information, and the firm is experienced with this report.

With new GASB standards and changes, Mr. Jaskot asked about the firm's over burden amount of work this year, and getting all client audits done.

Mr. Centofanti stated the key to get the audit out the door is the actuary getting GASB 68 done timely. Last year there were a few problems because 67 was not done in a timely manner.

The committee thanked Mr. Nossek and Mr. Centofanti for their informative presentation.

**C. BlumShapiro - Gerald P. Paradis, CPA; Nikoleta McTigue CPA; Jeffrey I. Ziplow, MBA.**

Mr. Paradis distributed information on BlumShapiro to the committee and staff, and gave a short presentation on the firm.

BlumShapiro - is the largest regional firm in New England; has 5 government partners; 400 professional staff in 3 states; 52nd largest public accounting firm in the U.S.; specializes in government audits and consulting services; auditors for 51 Connecticut towns. The government staff work on 10 engagements a year, working in various municipalities. The partners are committed to doing government audits. Many of the firm's municipalities receive the Certificate of Achievement, which shows a high level of involvement of the firm and the municipality.

Mr. Paradis assured the committee that the staff coming to Cheshire to perform the audit has extensive government experience. Staff has intensive training, in-house, with +40 hours annual requirement. Clients are kept up to date with GASB enhancements; last year clients were ready for GASB 67, without additional charges to clients for the time invested.

Client Service Team - Mr. Paradis introduced members of the team present for the interview. Nikoleta McTigue, Engagement Partner, and Jeffrey Ziplow, Technology Partner. Other team members will be Megan Heaphy, Audit Manager, and Vanessa Rossitto, Concurring Partner.

Ms. McTigue said she would be the person in charge of everything with Town staff...a hands on partner. When the job is done the work is reviewed by the manager and partner, and the concurring partner to attain the highest level of quality.

Ms. McTigue informed the committee she, Ms. Rossitto and Ms. Heaphy have extensive experience with several governmental clients, ED001 for the Dept. of Education, and with state and federal audits. She is charge of running the job day to day, providing technical support to staff, insures the job goes as scheduled, and updates the client on the status of the job. Ms. Rossitto is the "Concurring Partner" who reviews the audit, and is available to staff in the absence of Ms. McTigue. Under the client service team will be one senior staff member and 2 to 3 staff depending upon the engagement.

Audit Project - during the transition process the partners and team meet with the client management team, set expectations and time line for the audit delivery, document understanding of internal controls, contact the prior auditors, and set the project for final field work. BlumShapiro has leading edge technology to get data from the Town system to the company system.

Quality Controls - this is one of the main strengths of BlumShapiro, and at the end of the audit, the results are presented. The firm has year round communication with Town staff, provides status updates on the engagement, brings issues to the proper officials, manages new standards, updates clients on the impact of standards.

Technology and Security - Mr. Ziplow informed the committee about the role of technology in the audit process. His role and that of the team is come in, take a look at the technology in place, the security controls for the financial system, school district and Town, and assess the security and controls of the overall network. At the end of the review, a report is produced, a baseline provided for things existing today, and findings and recommendations for the I.T. area. There is a new state law for protecting personal information, and these will be brought to the Town. Security is important, and even sharing files between the two organizations is done in a very secure way through a secure portal.

Mr. Ziplow stated he has been with BlumShapiro for 20 years. He said the firm has industry expertise, high level of partner and manager involvement in the audit, knowledge of government accounting, and it would be a seamless transition. The partners and managers are totally involved in the audit, discuss findings and facts with staff, there is a no surprise rule on costs or fees, and year round discussion with staff on ways to resolve issues. BlumShapiro wants to deliver the best product and leadership to the Town.

Stating the partners do all of this all the time, Mr. Paradis informed the committee he is a consultant to OPM on matters related to municipal accounting. Through that effort he can take and disperse that knowledge to staff, partners and clients, along with everything to do with GAP, State DOE involvement on the ED001 form. He receives comments on the procedures and package for his comments and how it will impact auditors. These side issue things make BlumShapiro staff better at doing its job, and transition becomes easier for staff to undertake.

Regarding transition, Ms. Flynn-Harris asked about the amount of time for initial assessment, learning curve, the firm up to speed for getting to the audit.

Ms. McTigue said it takes one to two weeks for the initial assessment, getting to know the client, interviewing people in key departments, know what is being audited, and areas for the financial statement. There is much preparatory work during the transition, looking at the web site, jobs, projects, contracts, official statements, budgets, etc. The transition time does not cut off hours for the first year of the contract.

The first year engagement work takes more time, and Mr. Paradis said this is not built into the proposed fees or standard hours, and it takes 10% to 20% more hours.

This is an investment on the part of BlumShapiro and Mr. Ziplow said firm staff gets to know Town staff and learning what to do. His network assessment work is about 4 to 5 hours on site for the Town and BOE.

Ms. Flynn-Harris explained that Cheshire has an I.T. consulting company on the premises. The town and BOE have upgraded the technology over the last two years -- in hardware, facilities, etc.

As part of the financial system review Mr. Ziplow said the review will look at segregation of duties, roles and responsibilities, and security associated with staff, and insure the integrity of information is there. Mr. Ziplow and his staff are familiar with the MUNIS system.

Quality Control and Audit Process - The initial engagement review and staff work product is the responsibility of Ms. McTigue. When she is done with it, the completed audit report goes to Ms. Rossitto (Concurring Partner) for review and internal processes for professional auditing standards, government auditing standards. Certain things must be looked at; certain things must signed off; all documentation and work papers must cover all that is needed; and Ms. Rossitto is the first step in the process. Another level of internal inspection on work papers is with the Quality Control Partner (all staff is in West Hartford CT). All reports are subject to inclusion and testing each year; this partner conducts an annual inspection; and every three years there is an external peer review.

Ms. DeFilio asked about Ms. Rossitto "jumping into the audit process", and whether she would still review the final audit product.

In that case, Mr. Paradis said he or another partner would become involved in the process.

Mr. Jaskot asked if any of the firm's clients prepare their own financial statements. He advised that Cheshire's Finance Department prepares financials in-house, and this is positive because there is more control.

Ms. McTigue said some clients prepare them to a certain point, fully prepare them, or BlumShapiro prepares the financial statements.

Mr. Jaskot is hearing more people seeing change of chart of accounts, and questioned this being mapping and the trend.

In response, Mr. Paradis stated BlumShapiro is doing mapping for OPM and the State DOE; the project is big; no one is required to change from their chart of accounts. It is not mandated. The approach is split into the boards of education and municipalities, and many people are instituting changes to their chart of accounts to form a unique chart of accounts. There are meetings for the boards of education, not the municipalities. \$450,000 was set aside for towns and boards of education changing systems to adopt a uniform charge of accounts. This money went quickly with consideration to do this again. On the education side, he said people are looking at their charts, recognize their inefficiency, how outdated the charts are, and how little usefulness there is of their

systems. The uniform charge of accounts is already developed, is on the web site, and can be easily accessed.

As municipalities and school districts change or upgrade their system, Mr. Ziplow said they conform to UCOA based charge of accounts. It would allow schools and municipalities working together with a single chart of accounts.

Mr. Masciana stated that retrofitting will be difficult. The goal on the education side is to be able to compare schools within a district and across districts. To take what is there, and put into mapping getting an end result, there may not be comparison of apples to apples.

The issue of getting clients up to date on GASB was raised by Mr. Schrumm as it relates to web based training, visits by firm staff, new GASB 68 coming in, and how this training will be done.

Ms. McTigue said past information is on the web site for client updates. Once clients become part of the mailing list they receive a monthly newsletter, get e mails on hot topics each month, and there are planning meetings with clients. This year is GASB 68; fair value comes up next year; GASB 73 and 74 are related to OPEB coming next year. There are regular web casts on various products for clients.

Pension Funding - Mr. Schrumm asked how deep the firm is into pension funding for client towns, and accurate reporting on investments, analysis on where the money is, etc.

Mr. Paradis replied that the firm's professional standards when dealing with actuaries have things to be done, including evaluation of the source of the information, professional qualifications of the report, disclosures etc. Regarding an investment mix the firm does not get into this area. He noted most communities have investment committees, and BlumShapiro does not want to second guess or do their work, and what the town is invested in is not the auditor's job. The firm looks at policies and procedures and review of process rather than questioning decisions made.

For Cheshire, Mr. Jaskot stated there is a Retirement Board which makes decision on the mix of investments, with a consultant hired to maintain investments.

Ms. DeFilio asked about having an actuary within the BlumShapiro firm.

Mr. Paradis said the firm does not need one, as they rely on use of specialists.

The issue of "fraud" in the public sector, in small towns without in-house auditors was raised by Mr. Jaskot.

With regard to fraud, Ms. McTigue said the firm works to understand internal controls, define high and low risk areas, and with a high risk develop the audit approach to

identify it. Fraud interviews are conducted with key and non-key people on anything unusual, concerns, etc.

Mr. Paradis said every audit area must be assessed for fraud risk. There is a meeting with the Audit Committee before the start of the audit, and the firm staff get feedback on areas of concern or particular departments. To go deeper would be a separate engagement.

When I.T. security and control is done, Mr. Ziplow said it is prior to the audit, and I.T. feeds into the team for the risk assessment.

Ms. Flynn-Harris asked the BlumShapiro representatives what they would bring to Cheshire; why they should be the auditors; and what is the added value they bring to the process.

The committee was told by Ms. McTigue that the firm brings a team of experienced people who have knowledge of the government industry, experience in working with many different towns, and I.T. knowledge and understanding.

Mr. Paradis cited the firm's relationship with all levels of the State on grants, audit questions, his close working relationship with OPM and many State agencies. The firm would put resources in place to get the audit done on time, and does not do extensions.

Mr. Ziplow stated the firm would provide quality services meeting all reporting deadlines.

On the matter of additional client billings for additional audit work, Mr. Paradis advised there have been additional billings in the last few years. What is bid is what the Town would pay...BlumShapiro goes out, gets the job done, and this is how they do business.

The committee and staff thanked BlumShapiro staff for their presentation.

#### DISCUSSION AND DECISION

Ms. Flynn-Harris stated that all audit firms follow the same standards; there are pros and cons for each; and taking aside the incumbent, McGladrey, she asked about a decision between the other two firms

With regard to the Town making a change, Mr. Jaskot said the question is whether Mr. Bassett and McGladrey are servicing the Town up to speed anymore. He cannot really say that...and the issue is McGladrey being here for 10 years...and if they are compromised in any way.

One of the things the other two firms, CohnReznick and BlumShaprio, stressed was an I.T. audit, and Ms. Flynn-Harris said McGladrey has never done one for the Town.

The committee was advised by Ms. DeFilio that McGladrey has done an I.T. audit every year; they have an I.T. person in charge who reviews everything; and this is part of the

standards. A new audit firm coming in would have to do an initial I.T. audit. Ms. DeFilio noted that Mr. Bassett stated that McGladrey would do another I.T. audit in Cheshire.

Unless we are assuming a new auditor will come in and find something significant which McGladrey did not find over 10 years, Mr. Schrumm would say..."let's change because something is out there and missing". This would be the argument for getting in someone new...but assuming it is not there, there is an institutional drag on making a change and additional expense. He commented on Mr. Jaskot and Ms. DeFilio doing so much work for the audit.

Mr. Jaskot said 3 years ago the previous audit was late because the Town was going through two system conversions. He explained that the McGladrey contract is a three year contract, with a two year additional option to renew without going out for a new contract. There is flexibility if the Town wants to do something in a few years.

Putting McGladrey aside, Mr. Masciana said CohnReznick's average fee is \$67,125 a year; BlumShapiro's average fee is \$61,420 a year. He sees no inherent value in what CohnReznick would offer over BlumShapiro (a larger firm), and would choose BlumShapiro over CohnReznick. He likes to favor resource and depth. Blum is at \$61,420, and McGladrey is at \$61,600.

The committee briefly discussed BlumShapiro and McGladrey. Blum is more local; does not have the national depth; there is greater depth with McGladrey. Blum does not have an actuary on staff, which the committee did not like. These are two national firms; the regional firm, Blum, has the largest office in this locale; national firms have more depth, with actuaries on board.

Ms. DeFilio cited her issue with Blum having concurrent review in the office...this person is not independent.

Ms. Flynn-Harris did not like BlumShapiro's response about quality control review which is kept in-house. CohnReznick sends it outside. McGladrey's review is within the region.

Having worked for a national firm, Ms. DeFilio said she has seen what the independent partner concurring the quality reviewers come back with...which they see from all towns and municipalities around the country.

Stating everyone in Town...Town Manager, Town Council and Town staff...are pleased and satisfied with McGladrey...Ms. Flynn-Harris said her choice would be McGladrey or CohnReznick, with BlumShapiro off the table. Ms. Masciana stated he would stay with McGladrey. Mr. Schrumm concurs with keeping McGladrey as the auditing firm...they seem to be a very straight forward firm.

#### **4. APPOINTMENT OF AUDITOR FOR FY 14-15**

MOTION by Mr. Schrumm; seconded by Ms. Flynn-Harris

MOVED that the Audit Committee recommends to the Town Council appointment of McGladrey LLC for a three (3) year contract with a two (2) year additional option to be auditors for the Town of Cheshire subject to finalization of a contract.

VOTE           The motion passed unanimously by those present.

**5.     ADJOURNMENT**

MOTION by Mr. Schrumm; seconded by Ms. Flynn-Harris

MOVED to adjourn the meeting at 8:52 p.m.

VOTE           The motion passed unanimously by those present.

Attest:

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Marilyn W. Milton, Clerk