

# MINUTES OF AUDIT COMMITTEE MEETING HARMONY COMMUNITY DEVELOPMENT DISTRICT

The audit committee meeting of the Board of Supervisors of the Harmony Community Development District was held Thursday, May 30, 2013, at 9:00 a.m. at 7251 Five Oaks Drive, Harmony, Florida.

Present and constituting a quorum were:

Steve Berube	Chairman
Ray Walls	Vice Chairman
David Farnsworth	Supervisor
Kerul Kassel	Supervisor
Mark LeMenager	Supervisor

Also present were:

Brenda Burgess	Asst. Manager: Moyer Management Group
Tim Qualls	Attorney: Young vanAssenderp, P.A.
Steve Boyd	Boyd Civil Engineering
Greg Gologowski	Harmony Development Company
Todd Haskett	Harmony Development Company
Greg Lanzano	Bio-Tech Consulting
Brock Nicholas	Harmony Development Company
Garth Rinard	Davey Commercial Grounds
Jon Rukkila	Davey Commercial Grounds

## FIRST ORDER OF BUSINESS

### Roll Call

Mr. Berube called the meeting to order at 9:00 a.m.

Mr. Berube called the roll and stated a quorum was present for the meeting.

## SECOND ORDER OF BUSINESS

### Ratification of Evaluation Criteria

## THIRD ORDER OF BUSINESS

### Ratification of Staff's Actions in Advertising the RFP

Ms. Burgess stated the audit committee needs to approve the criteria, but the Board approved the criteria when it appointed the Board members as the audit committee. I will ask for a motion to ratify the criteria and staff actions in getting everything ready for today's meeting.

On MOTION by Ms. Kassel, seconded by Mr. Walls, with all in favor, unanimous approval was given to ratify the evaluation criteria and to ratify staff's actions in advertising the auditing services RFP.

#### **FOURTH ORDER OF BUSINESS**

#### **Ranking of Auditing Proposals**

Mr. Berube stated perhaps we can make this easy without a lot of discussion. I see everyone has scored all the firms, so I will ask each member to share their list of rankings.

Mr. Farnsworth stated I scored Grau #1, McDirmit #2, and Berger Toombs #3.

Ms. Kassel stated I have the same scoring as Mr. Farnsworth: Grau #1, McDirmit #2, and Berger Toombs #3.

Mr. Walls stated I scored Grau #1, McDirmit #2, and Carr, Riggs & Ingram #3.

Mr. LeMenager stated I have the same scoring as Mr. Walls: Grau #1, McDirmit #2, and Carr, Riggs & Ingram #3.

Mr. Berube stated my rankings are a little different, but it appears that Grau is #1.

Ms. Burgess stated at the end of this process, what the committee needs to do is decide on the ranking of the top three, as a committee, and then the committee will make that recommendation to the Board.

Mr. Berube stated I presume Grau has won probably on qualifications and also price, seeing they are near the bottom for price. My only concern with that is they are coming down several thousand dollars from the fee that they have been charging us for a number of years.

Mr. LeMenager stated it is similar to the landscaping RFP where we got a better price; we should have done this earlier.

Mr. Berube asked that does not bother anyone?

Mr. Farnsworth stated I wondered how they were able to do that. I noticed from the billing, they are close to the not-to-exceed amount.

Mr. Berube stated that is correct; they are at the top of their not-to-exceed amount every time.

Mr. Farnsworth stated their current billing was \$6,000 and their not-to-exceed was \$7,000 or something similar.

Mr. Berube stated I think we paid \$7,500.

Ms. Kassel stated it was \$7,250.

Mr. Walls stated I think Mr. LeMenager is exactly right that we need to do this more often, when this three-year engagement expires.

Ms. Kassel stated it makes more sense to do it with larger contracts because the amount of money we are spending to go through the RFP process costs us money. We are

saving some money this way, but we are not saving as much as we are in the larger contracts.

Mr. Berube stated my other concern with Grau is that this Board, through various means, has uncovered several inconsistencies that resulted in the District recovering money from Severn Trent. To me, that should have been uncovered in an audit. I am wondering just how thorough they are, but then, how thorough would anyone be. I presume that everyone gave consideration to that and we will stick with our rankings.

Ms. Kassel stated Mr. Gary Moyer did say that Grau actually caught those things, but Severn Trent thought they had it covered.

Ms. Burgess stated that was the 2005 assessment issue.

Ms. Kassel stated that is correct. It is not as though Grau did not catch it. They did.

Mr. LeMenager stated #1 and #2 are clear, so we just need to rank #3.

Ms. Kassel stated Mr. Berube's input will affect #3.

Mr. LeMenager stated that is correct.

Mr. Nicholas asked would the existing auditor also be responsible for verifying that the correct assessments are being levied?

Ms. Burgess stated I am not sure what level they will go into. Their engagement letter will specify that in more detail. What we have done in other Districts and what Mr. Moyer has mentioned at a previous meeting is, if you would like them to look at a particular area, you can certainly request that within the scope of their audit. You can have them meet with someone, and they will go through the engagement letter where we can instruct them to do everything else they normally would do as well as focus on this particular area. I think we advertised the RFP that way.

Ms. Kassel stated I think we added that focus.

Mr. Nicholas asked it was not previously?

Ms. Kassel stated no.

Ms. Burgess stated it was not specifically delineated that they look into that more than they do. I know Mr. Walls has said before that these audits are largely procedural and they look at the top layer of things and they will go down a little bit. But we can ask them to specifically look into that in more detail and have them do some more checking as to assessments and have them test more random selections to be sure they are being assessed correctly.

Mr. Walls stated they will also look at the controls on that process and see if they are handling it in a manner that is not going to let things slip through the cracks. We can ask them to do that.

Mr. Nicholas stated there was an audit check at some level. I do not believe it was Grau, but a woman contacted us when we made our May payment, and there was a mistake in previous years' billings on my assessments for the development company. This invoice was different than in previous years; it was higher. We are on an amortized bond, so for us to see that it was higher than last year does not make sense. I do not have the full reconciliation, and I think Ms. Burgess was copied on the emails.

Ms. Burgess stated yes, I did see the emails.

Mr. Nicholas stated that woman is out of Naples/Ft. Myers area who is a consultant.

Ms. Burgess stated she is Ms. Alice Carlson, who is a consultant for Severn Trent for the assessment department. She is the assessment department manager.

Mr. LeMenager asked does that impact the bond portion or the maintenance portion?

Mr. Nicholas stated it was the bond portion.

Mr. LeMenager stated that is logical because the interest rate went down and everyone's bond payments went up. Every single person in town is paying more for the bond. That was the reason we ended up lowering the operation and maintenance assessment, so we could keep the overall assessment neutral. The problem is that interest rates have gone down so low that the amount of money that the pot earns during the year is no longer sufficient. That is why it went up because all of our assessments went up.

Mr. Walls stated in the past, we have paid down some of the bond by using extra money that was in that pot from interest and other things to pay down the bonds and lower everyone's payment. We have been able to use that money to reduce everyone's payments, but this year, we did not.

Ms. Burgess stated I believe that money ran out.

Mr. LeMenager stated that is correct.

Mr. Walls stated so our bond assessment went up to where it should have been if we had not made those extra payments.

Ms. Kassel stated remind me why our bond payment goes down and then up in a cycle like this, every three years or so.

Mr. Nicholas stated it is an amortized development bond. It is a known value. It is on an amortization schedule. You are referring to the reserve account.

Mr. Walls stated the payments are fixed, and each year you pay what it says. But what was happening is we were using extra money that was in that fund to pay down everyone's payment.

Mr. Berube stated it showed up as a prepayment on the line item.

Mr. Walls stated that is correct. The payments we were making individually as assessment payers were lower than what was actually listed on the amortization schedule.

Ms. Burgess stated you were getting a discount.

Mr. Walls stated that is correct.

Mr. Nicholas stated I just wanted to ask a question on the scope of this because our impression was that this should have been covered in an audit. Ms. Carlson's response to me was that they just started looking at it.

Ms. Burgess stated the committee will make a recommendation to the Board, and we can certainly ask the auditor to look at that.

Mr. Berube stated if they just started looking at it, then something will probably turn up. That has been our history.

Mr. Walls stated that is a concern, and that is a problem we ran into with the other assessment issues we had where no one saw it and they hung out there until they were found.

Mr. Berube stated my ranking was Berger Toombs #1, so if we put my #1 as the committee's #3 ranking, we now have a clear list of the top three rankings. Grau is #1, McDirmit is #2, and Berger Toombs is #3.

#### **FIFTH ORDER OF BUSINESS**

#### **Recommendation to the Harmony CDD Board**

<p>On MOTION by Mr. LeMenager, seconded by Ms. Kassel, with all in favor, unanimous approval was given to rank the auditing firms at Grau #1, McDirmit Davis #2, and Berger Toombs #3 and to make this recommendation to the Board of Supervisors.</p>
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#### **SIXTH ORDER OF BUSINESS**

#### **Other Business**

There being none, the next item followed.

**SEVENTH ORDER OF BUSINESS**

**Adjournment**

On MOTION by Mr. LeMenager, seconded by Mr. Walls,  
the meeting adjourned at 9:10 a.m.

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Gary L. Moyer, Secretary

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Steve Berube, Chairman