



## **MINUTES AUDIT COMMITTEE**

**Friday, October 15, 2021 – 10:00 AM  
Zoom Video/Teleconference Call**

**Warneck Pump Station, Conference Room  
Watertown, New York**

The Development Authority of the North Country Audit Committee met in regular session at the Warneck Pump Station, Conference Room 1, 23557 NYS Rt. 37, Watertown, New York on Friday, October 15, 2021 at 10:00 am.

**Committee Members Present:**

Alfred Calligaris, Chairman  
Thomas Hefferon  
Dennis Mastascusa  
Alex MacKinnon  
Brian McGrath

**Staff Present:**

Carl Farone, Executive Director  
Jennifer Staples, Chief Financial Officer  
  
Angela Marra, Executive Assistant

**Committee Members Absent:**

**Guests:**

**Other Board Members Present:**

1. The meeting was called to order by Chairman Calligaris at 10:02 am.
2. A roll call was completed, and a quorum of the committee was established.
3. C. Farone started today's meeting, pursuant to Article 7 of New York Public Officers Law, Open Meeting Law, is being conducted in person as well as via videoconference with members of the Board in attendance via videoconferencing. A public meeting notice for the meeting informed the public that videoconferencing will be used and provided the link to the videoconference for public attendance. No one from the public is in attendance at this time. The meeting is being recorded and will later be transcribed for posting.
4. C. Farone introduced the reason for the meeting being Auditor Selection as the Authority has been working with the Bonadio Group for the past 15 years. The last five-year contract term ended this past year so the Authority created an RFP for Audit Services.

J. Staples continued by stating that the Request for Proposal (RFP) for Audit Services is done every five years, and the purpose of this meeting will be a review of the results of the recent Audit RFP and to make a selection for the FY 2022 – 2026 Audit Services, which would then be recommend to the full Board. On August 12, 2021 an RFP was emailed to 47 CPA Firms, 26 of which were MWBE's and four were SDVOB's. The RFP was also posted to the New York State Contract Reporter, and listed on the Development Authority website. The proposals were due September 15, 2021 and two were received, the EFPR Group and the Bonadio Group. Both groups were comparable when the RFP minimum requirements were reviewed. Their audit approach and methodology were acceptable, although Bonadio was more detailed. Both groups have experience. A good faith effort was requested within the RFP for MWBE and SDVOB participation, which the EFPR Group did come in at 30% MWBE and 4% SDVOB by proposing they utilize subcontractors, which is concerning because of how they propose to use them meaning that three different companies would be performing a portion of the services for the audits.

B. McGrath asked J. Staples to explain how the MWBE percentage is calculated and how the group is allowed to define it. J. Staples responded that it is calculated based on the total dollar value they would receive based on the value of the contract. J. Staples expressed concern in that one of the subcontracted firms has less than six years' experience and another had no experience in dealing with government agencies.

F. Carter asked what the other group has in reference to minorities. J. Staples explained that they are not MWBE/SDVOB certified and they would subcontract that service out. C. Farone stated that Bonadio came in at zero percentage for both and sent in a waiver request based on the dollar amount being at \$48,000 per year, it is not conducive to have MWBE/SDVOB.

B. McGrath asked if they could not calculate the percentage within their firm, do they not have any female or minority partners, and how would we use a company that doesn't have females, minorities, or service member veterans as partners? C. Farone explained that for MWBE, the entire organization would have to be a woman or minority owned business with 51% ownership. This would mean the Bonadio Group itself would have to be certified through New York State as a minority or women owned business. The Bonadio Group does have women partners, but that does not count toward an MWBE status.

A. Calligaris stated that at one time they did have a woman partner. J. Staples explained that whether they have women partners or not, they would have to actually be certified.

F. Carter asked if the new company would be able to meet the criteria. J. Staples stated only because they are going to subcontract, and a concern would be that we are dealing with them and they have to go out and deal with three other companies. F. Carter stated that this still meets the requirement that we need to meet.

F. Carter asked if the other company we have used for 15 years is then exempt from this requirement. J. Staples stated that this was not required criteria within the recent RFP.

A. Calligaris stated that we should look at it from a quality perspective for who we want to use. C. Farone stated it is hard to subcontract out a contract of this size and it would be easier to subcontract out a piece of a million dollar contract. He further stated that the RFP did not request any more than to do a best faith effort to try and get minority/women-owned businesses involved. We solicited directly to 26 women and minority owned businesses but unfortunately, none of them chose to respond. Overall, we only received two responses, which is much less than the normal four. J. Staples stated that the other two firms who responded in 2016 were contacted to ask why they didn't participate, and they indicated that staffing and timing were issues.

C. Farone stated that the while staff offers a recommendation, the hiring of the audit firm is up to the Audit Committee.

A. Calligaris asked if the firms can hear the meeting, and if we should be discussing this in Executive Session. B. McGrath stated this is a public bid pursuant to an RFP and he doesn't feel this would be permissible under the narrow requirements of executive session.

T. Hefferon commented that this process is done every five years, and as the company stays the same they do switch partners. T. Hefferon expressed concern asking if this is legal being within arm's length of each other within the same company. C. Farone replied that with each switch there has been no contact from the previous partner.

T. Hefferon asked again if this conversation is still ok to be public. B. McGrath stated that executive session rules are very narrow and are for personnel decisions, which he doesn't believe a public bid would count as a personnel decision of the Authority. Another exemption could be real estate transactions given the unique nature of their negotiations. Beyond that, we are adults and whatever we say about those we are looking to do business with who have submitted a public proposal is a matter of public record.

A. MacKinnon stated that the basis of the MWBE is to encourage people to be involved with women and minorities, and he suspects that the Bonadio Group has a variety of people working for them. C. Farone stated they do have women partners. F. Carter stated that in the 15 years we have been working with them, they know the MWBE criteria is something the Authority has to meet. A. MacKinnon stated we do not have to meet it. J. Staples stated that it was a good faith effort, not a requirement. She further stated that in the 2016 RFP, EFPR did meet the MWBE SDVOB requirements within their bid.

A. Calligaris stated that we should not change the criteria of the RFP from when it was sent out. It was asked of bidders to make best efforts, it was not a requirement. He further stated that he knows the Bonadio Group has women partners. J. Staples stated that their total workforce as indicated within their staffing plan, half are men and half are women.

B. McGrath commented that the important criteria of that is not how many people you employ that are women or minorities, but who the owner is and who is realizing the economic advantage of public contracts. He further stated that he agrees with A. Calligaris and quality should be the number one driver of a decision, however he finds it disappointing that no effort was made and the Bonadio Group didn't go so far as to recommend a female or minority partner. He continued by stating the other firm recommends two men and while we don't know if either man is a minority, they try to satisfy the requirement through subcontracting and at least they made an effort. Ultimately the decision should be qualitative, but it is disappointing that a group we have used for 15 years made no effort to address the recommended criteria by the state and was included in our proposal as a best effort.

F. Carter asked if the 30% the other company can do meets our requirements for MWBE. C. Farone responded yes. F. Carter continued by asking what our number is right now without this company. C. Farone responded that last year we were 36%. This year will be less due to a lower number of construction contracts. F. Carter stated that if we choose the other company with their 30%, we could use that to get to the 30% we need to make. C. Farone replied that while it would contribute to the 30%, it would be a very small percentage based on the contract dollar amount.

A. MacKinnon asked of the 26 companies the RFP was sent to, only two responded. C. Farone responded no, none of the 26 MWBE companies this was sent to responded. It was the consensus of the committee that they may not have responded because they could not meet other requirements, the contract was too big, there may have been staffing issues, or the timing of the audit fell at a bad time.

J. Staples continued by reviewing the fee proposal noting the Bonadio Group came in 11% different that EFPR, or \$4,000 per year more. However, the Bonadio Group has more hours built into their proposal, and their billing rates are more expensive. As additional information, the Authority has worked with the Bonadio Group for 15 years and they are proposing Gregg Evans as the partner in charge for the next five years. They have a great deal of public authority client experience, to include experience with three government owned solid waste management facilities. J. Staples reviewed the EFPR Group as an independently owned and operated member of CPAmerica which is a member of Crowe Global. EFPR has audited some of the largest public authorities in New York State including Empire State Development, New York State Bridge Authority, New York State Olympic Regional Development Authority, Lower Manhattan Development Corporation, and have experience with 30 public authorities.

The staff proposal ranking reviewed minimum requirements, audit approach, firm experience, partner experience, and cost resulting with the Bonadio Group receiving a 9.6 versus EFPR at 9.55.

B. McGrath asked if women and minority owned businesses and disabled and veteran owned businesses were not computed in the minimum requirements. J. Staples said that is correct as they were requested as a good faith effort, not a requirement of the RFP. She continued by discussing a few items the EFPR Group was lacking, such as some insurance requirements, and their audit approach did not outline their technology approach. The Bonadio Group uses a system called "myPortal" to communicate with the Authority where items to be reviewed can be listed, as well as prior year audits stored for reference. There is also a concern in EFPR subbing out MWBE/SDVOB as they would be learning the Authority and taking that information out to other groups.

B. McGrath expressed concerns about a rehire bias because we have used a firm for 15 years and this would remove the need to do an RFP. He expressed this to be unconvincing in the decision making process. It also concerns him that one firm made best efforts to satisfy MWBE and SDVOB requirements by being creative and reaching out to subcontractors, but instead we are holding that against them. He further stated that he understands there are concerns with subs and with a new entity coming on, but this sends mixed messages to the bidder who tried to make the best efforts and did so in a permissible and creative way as we now say that is going to be a reason we don't hire them.

A. Calligaris attempted to express what he felt J. Staples was saying, but B. McGrath stated he didn't want a man to explain what she just said and he would like to hear from her. A. Calligaris continued by stating that he understood her viewpoint in that it is going to make her job easier and be less costly to the Authority if she is able to work with people who understand our business. He further commented that there isn't anything bad about the other company (EFPR) being creative to hit a milestone, but he does think J. Staples makes sense.

J. Staples commented that maybe she misspoke, but when she talked about the technology approach in the proposal from EFPR they did not call out any kind of technology approach. There was no discussion regarding how the IT system would work regarding communication between their firm and the Authority with documents or questions. J. Staples continued that in regards to the MWBE/SDVOB her concern was more time spent for our staff to be bringing a new firm up to speed as well as how that communication would happen with three different organizations they are trying to tie in.

F. Carter stated that the three organizations would be working for the audit company, and the Authority would be working with the audit company. He further stated that he feels EFPR has put a good proposal of faith forward, that they would be responsible to the Authority, and the three subcontractors would be responsible to them.

A. Calligaris stated that it doesn't work that way when your staff is working with the auditors and they assist the auditors giving them all their information, which would impact the accounting department. F. Carter stated that they have a good track record working with companies in New York State.

A. MacKinnon asked if we have control over who they would be subcontracting to. J. Staples responded that they are listed within their proposal, Valles Vendolia LLP would only be 9%. F. Carter asked if they are a New York State company, to which J. Staples responded they have done work for the New York State Comptroller and other divisions meaning they have experience with New York State governments. B. McGrath stated that where the subcontractors are is listed within their proposal, with one being in Rochester and others listed on pages 12 and 13.

F. Carter asked if the committee would move these two companies to the full Board. A. Calligaris commented that the Audit Committee is supposed to pick. C. Farone stated that this is the Audit Committee's task to review both firms and make this selection, and the resolution would go to the Board. He further stated that even though he is not familiar with EFPR, these are two large firms and either could do the job.

A. Calligaris asked if the references had been checked. C. Farone responded that references have not been checked for EFPR, but could be if the committee would like that done. F. Carter stated that New York State, including the Empire State Development, New York State Bridge Authority, New York State Olympic Regional Development Authority, Lower Manhattan corporations, and 30 others showing they are doing considerable work in New York. B. McGrath mentioned they also have Ogdensburg Bridge and Port Authority, Interim Executive Director, Steve Lawrence listed as a reference, who they have audited since 2006 to present. F. Carter stated he was not familiar with them, but when he was there everything was clean.

C. Farone stated that it is the decision of the committee, but one thing he spoke with J. Staples about was change for change sake.

F. Carter commented that he would like to see this new group as they are well qualified.

A. Calligaris stated he did not think we should have change for change's sake. F. Carter commented that change sometimes is good, we have worked with the other company for 15 year and they have done a good job. A. Calligaris stated that seems as bad as change for change sake. F. Carter stated that he liked their (EFPR) proposal, who they have worked for, what they've put together, and they have tried to meet the minority requirement but the other group didn't make any effort to do that. A. Calligaris stated that they (Bonadio) have many women partners. F. Carter pointed out that doesn't qualify them. A. MacKinnon commented that we are looking at semantics when we should be looking at the qualifications. B. McGrath stated the

goal of the initiatives is to have financial interests for minority and women owned businesses, not to have women as part of your organization.

A. MacKinnon commented that the staff is recommending the Bonadio Group based on criteria and an extensive amount of time spent reviewing all of this. A. MacKinnon has looked over the documents, but has also learned over the past 50 years that you are better off listening to your staff as they are the people who know and work with this daily. A discussion followed about why we have a Board of Directors, and what we pay our staff to do. It was determined that going forward the staff should present the RFP results, but not recommend which company is to be selected.

F. Carter stated that it appears the staff doesn't want to change companies because of the criteria that the other company is going to do, and he doesn't feel this is a reason to disqualify them. A. Calligaris stated that from his experience he understands there isn't as much control when a portion of the contract is given to a smaller firm and can pose a problem with timing and getting things done, ultimately costing your staff a lot of time along with their day to day tasks.

F. Carter stated this is one item under our ethics procedures that we have to be involved in to make sure we are doing the things that we do. C. Farone commented that this involves changing our audit partner every five years, and A. Calligaris stated that we do make this change. C. Farone also stated that one of the Bonadio Groups strong suits was landfill experience since complicated governmental accounting standard rules apply. Bonadio Group has the Authority, plus three other municipal facilities. A recommendation was given, as has always been given as part of our job.

C. Farone asked if the committee would like the staff to leave the room to discuss the decision. It was determined that the staff did not need to leave. B. McGrath stated that one firm made a best effort to help the Authority meet their obligations, and the other did not, and based on the metric this is a tie. He further stated he is in favor of the EFPR Group as he thinks they submitted a sound proposal, he read it and appreciates that they could bring a new perspective to our audit process and that is not a bad thing. F. Carter agreed with this statement.

It was decided to put this decision to a vote of the committee, with the results being as follows:

- B. McGrath – EFPR
- F. Carter – EFPR
- D. Mastascusa – Bonadio
- A. Calligaris – Bonadio
- T. Hefferon – Bonadio
- A. MacKinnon – Bonadio

T. Hefferon commented that he agrees with B. McGrath that they made an effort and cost less, and he further stated he doesn't like the idea of staying with someone for

15 to 20 years even though they change the partner because it is still the same company. He does like the Bonadio Group and they are a good company.

A. Calligaris stated the committee will go with the Bonadio Group with a vote of four to two. T. Hefferon stated that they agreed with the staff recommendation, but this will need board approval.

T. Hefferon also stated that he likes it when a recommendation isn't made, and the committee will ask if need be. A. Calligaris confirmed that staff shouldn't have made the recommendation, the committee should decide and the staff could have argued their position here. A. MacKinnon stated that could be the change. C. Farone stated that we will make a note of that and be sure to change it.

A. Calligaris stated when they change the partner after five years, they really do make the change. T. Hefferon commented that he never could get that because you are hiring the same company. A. Calligaris asked if the prior partner is used as an advisory partner, to which C. Farone responded he believes so.

T. Hefferon commented to B. McGrath that he appreciated his thoughts on this. B. McGrath responded that he didn't have any issues with the prior auditor, he stated his case as to why he voted the way he did, but he has nothing against the prior auditor.

5. Resolution No. 2021-10-XX, authorizes the Executive Director to enter into an agreement with the Bonadio Group to provide audit services, as specified in the Request for Proposal, for five years ending March 31, 2026.

Upon a motion by T. Hefferon, and seconded by A. MacKinnon, Resolution No. 2021-10-XX, Authorizing Executive Director to Enter into an Agreement for Audit Services was approved and recommended by the Audit Committee to the full Board for approval.

The Audit Committee meeting was adjourned at 10:46 AM.

Respectfully submitted:



Alfred E. Calligaris  
Chairman, Audit Committee