



Finance Memorandum 21-28

Date: February 8, 2021

To: Greg Harrison, City Manager

From: Andrew Jean-Pierre, Finance Director

Re: Rotation policy for independent auditing services

Staff is recommending a mandatory rotation of independent auditing firms after a maximum 10 consecutive years of service to the City by any single independent audit firm. Below is some background information.

We polled the following municipalities to see if they had a rotation policy in place; Coral Springs, Dania Beach, Deerfield Beach, Fort Lauderdale, Hallandale Beach, Hollywood, Davie, Margate, Pembroke Park, Lighthouse Point, Sunrise, Pembroke Pines, Miramar & Tamarac. None of the 14 municipal cities we polled had any rotation policy.

The Governmental Finance Officers Association does not recommend a rotation policy for independent auditor firms. Neither does the Florida Statutes. Florida Statutes (218.391) requires an independent auditor committee be established. To avoid any conflicts of interest, no member of Finance serves on this Committee in any voting capacity. In addition, beginning in 2019, one member of the audit committee must be a member of the City Commission.

The current rotation policy was put in place due to concerns of the Commission after one firm was awarded a contract for (2) consecutive terms and was on their way to a third term before their #1 ranking from the audit committee was overturned by the City Commission. The current policy does not allow the current independent audit firm to bid again. In light of these facts we recommend that the policy be revised to allow for an independent auditor firm to contract with the City for a maximum of 10 years (2 terms). This will allow for the participation of all qualified firms, including current auditors while balancing the concerns previously brought to light by the City Commission.

Thank you