

**Official Proceedings
Pontiac City Council
171st Session of the Tenth Council**

Call to order

A Special Meeting on the Budget of the City Council of Pontiac, Michigan was called to order electronically on Wednesday, June 17, 2020 at 9:00 a.m. by Council President Kermit Williams.

Roll Call

Members Present: Carter, Miller (arrived after roll call), Pietila, Shramski, Taylor-Burks, Waterman (arrived after roll call) and Williams.

Mayor Waterman was present.

Clerk announced a quorum.

Discussion

City Council Proposed Changes to the Mayor's Proposed 2020-2021 Annual Budget

The discussion focused on the following departments:

Youth Recreation; Clerk, Elections and Medical Marihuana; Finance; Human Resources; Information Technology (I.T.); Income Tax; Treasury; Economic/Community Development; Mayor; Council and Law (Giarmarco, Mullin and Horton)

Suspend the rules

20-279 **Suspend the Rules.** Moved by Councilperson Waterman and second by Councilperson Taylor-Burks.

Ayes: Miller, Pietila, Shramski, Tylor-Burks, Waterman, Williams and Carter

No: None

Motion Carried.

Resolution

City Council

20-280 **Resolution to engage Bonadio & Co, LLP, Certified Public Accounts to conduct an audit of Fiscal Year 2020 budget for the City Council and approve the \$10,000 retainer the services of Bonadio & Co, LLP.** Moved by Councilperson Waterman and second by Councilperson Taylor-Burks.

Whereas, during budget discussion for FY 2020-2021, the Pontiac City Council has determined that as prudent and fiscally responsible fiduciaries, it is necessary to retain an outside professional certified public accounting firm, to assist the Council in analyzing financial matters of the City; and,
Whereas, retaining an outside professional certified public accounting firm would be in the best interest of the citizens of Pontiac and would be consistent with the Pontiac City Council's duty to maintain integrity and transparency; and,

June 17, 2020 Approved Minutes

Whereas, Bonadio & Co., LLP, Certified Public Accounts, submitted an engagement letter to the Pontiac City Council on June 14, 2020 (*letter and professional biographies are attached*); and,

Whereas, section 3.115 of the Pontiac City Charter provides, "Council may, within appropriations provided in the budget, appoint staff or contract for services. Staff or persons engaged pursuant to contract serve at the pleasure of the Council.

Now, Therefore, Be It Resolved that the Pontiac City Council hereby acknowledges and agrees to the standard terms of the Professional Consulting Services contained in the engagement letter provided by Bonadio & Co, LLP, Certified Public Accountants, and further agrees to proceed with phase I of the proposed phase approach and also agrees to submit the requested retainer of ten thousand (\$10,000) Dollars upon passage of this resolution.

Ayes: Pietila, Shramski, Taylor-Burks, Waterman Williams, Carter and Miller

No: None

Resolution Passed.

****See Exhibit A for attachments****

No Public Comment

Adjournment

Council President Kermit Williams adjourned the meeting at 12:17 p.m.

GARLAND S DOYLE
INTERIM CITY CLERK

Bonadio & Co., LLP
Certified Public Accountants

June 14, 2020

Pontiac City Council
City of Pontiac
47450 Woodward Avenue
Pontiac, Michigan 48342

RE: Professional Consulting Services

We appreciate the opportunity to provide professional consulting services to the Council Members (the "Council") of the City of Pontiac, Michigan (the "City"). This engagement letter confirms our understanding of your retention of Bonadio & Co., LLP ("Bonadio") to assist you in analyzing select financial matters of the City.

Scope of Services

Our procedures may include, but are not limited to the following:

- Request and obtain the City's 2020 and 2021 budget and associated reports, forms and supporting documentation.
- Perform a high-level analysis of the 2020 and 2021 budgets to select budget lines/sections for further evaluation.
- Evaluate payroll costs compared to budgeted amounts ensuring that employees are hired and compensated according to approved budgetary amounts
- Draft and submit a document requesting specific budget detail, contracts, invoices, payroll records, and other supporting documentation relevant to selected budget lines/sections.
- Receive and analyze documents received from request above. This analysis may include forensic accounting and investigative procedures for certain transactions, revenues and expenditures, if we identify that those transactions may be inappropriate or not compliant with procurement policy, City Council Charter and/or federal, state and local laws and regulations. Such procedures are deemed to be forensic in nature, and may include the following:
 - Compare invoices and payments for services, service time periods, and payment terms with procurement policies and contractual agreements
 - Evaluate contracts of service providers to ensure they are compliant with services agreed upon at procurement. Perform on-site service provider visitation or request documents to review internal service records and ensure that internal records are agreement with services being billed.
 - Review invoices that are not covered by an appropriate contractual agreement and/or were purchased outside of the procurement policy
- Draft reports of our findings, observations and recommendations following evaluations of select budget lines/sections.

Summary of Roles and Responsibilities

The services under this engagement letter will be performed in accordance with the Statement on Standards for Consulting Services ("SSCS") issued by the American Institute of Certified Public Accountants ("AICPA"). Consulting services differ fundamentally from attestation services. In an attest service, the practitioner expresses a conclusion about the reliability of a written assertion that is the responsibility of another party, the assertor. In a consulting service, the practitioner develops the findings, conclusions, and recommendations presented, based solely by the agreement between the practitioner and the client.

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www.bonadio.com

Accordingly, our services will not constitute an audit, compilation, review, or attestation service of the City's financial statements or any part thereof, as described in the pronouncements on professional standards of the AICPA or the Public Company Accounting Oversight Board ("PCAOB"). Additionally, we will not otherwise verify the data you submit for accuracy or completeness. Rather, we will rely on the accuracy and completeness of the documents and information you provide to us.

We will provide expertise and recommendations based on our observations during the work requested by you to assist in this project. It will be the Council's responsibility to provide substantive involvement as part of the project team, determine the level of work desired, and determine how to proceed relevant to any recommendations or advice provided. You are responsible for making all management decisions and for performing management functions and overseeing and monitoring the services we provide by designating an individual, who possesses suitable skill, knowledge or experience and will assure that you have obtained all needed information from appropriate sources to make appropriate business decisions. Further, although we will have discussions of various business matters, it is understood that we may not have been provided all appropriate information to make informed recommendations related to those discussions. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for the results of such services. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management and/or Council responsibilities.

Warranties and Liabilities

Our services will be performed in a professional and workmanlike manner. All services will be rendered by and/or under the supervision of Bonadio personnel or Bonadio's specialized third-party consultants or subcontractors. Bonadio makes no representation or warranty regarding either the services to be provided or any deliverables. In no event, unless it has been finally determined that Bonadio was grossly negligent or acted willfully or fraudulently, shall Bonadio be liable to you or any third party, whether a claim be in tort, contract or otherwise for any amount in excess of the total professional fees (excluding expenses) paid by you to us under this agreement for the particular service to which such claim relates. In no event shall Bonadio be liable for any special, consequential, indirect, exemplary, punitive, lost profits or similar damages, even if we have been apprised of the possibility thereof.

You agree to indemnify and hold harmless Bonadio, its employees, partners and third party consultants and subcontractors from any and all third party claims, liabilities, costs, and expenses, including reasonable attorneys' fees, arising from or relating to the services or deliverables under this letter, except to the extent finally determined to have resulted from the gross negligence, willful misconduct or fraudulent behavior of Bonadio & Co., LLP relating to such services or deliverables. Your indemnity obligation contained in this paragraph shall survive termination or expiration of this letter (including but not limited to all reasonable costs and expenses related to answering subpoenas, attending depositions, being named in third-party claims, related attorneys' fees, etc.).

In the event of a conflict or inconsistency between the terms of this letter and any other written agreement between us relative to the services to be performed (including any deliverables), the terms of this letter shall be deemed controlling in all material respects.

Deliverables

All information and materials of any form or description collected by us in the course of our engagement shall constitute our work files and will at all times, during and after completion of our engagement, remain in our exclusive possession. We shall have unlimited discretion to retain, discard, or dispose of our work files but will at all times maintain all information and materials provided by the City in strictest confidence.

We will use our best efforts to keep strictly confidential the report, its existence, and content, as well as the identity of the City and other identifying information. We will nevertheless have no liability to the City or any third party for information disclosed in, or pursuant to, any ruling, order, or proceeding of any court or other judicial or non-judicial forum or of any regulatory agency or similar instrumentality.

Fees

Our fees for this engagement will be on the actual time spent at our standard hourly rates, plus out of pocket expenses. Our hourly rates are as follows:

Job title	Hourly Rate
Partner/EVP	\$350
Principal	\$285
Manager	\$225
Senior	\$175

The scope of a project of this nature can be difficult to estimate. Variables such as availability of documentation, quality of documentation, complexity of budgeting calculations/reports/formulas, cooperativeness of knowledgeable parties and expansiveness of future Council requests based on findings can have a considerable effect on the number of hours that is needed to adequately complete the Council's objectives.

Therefore, we propose a phased approach, whereby we set a not-to-exceed amount on phase I before commencement. After phase I is completed, we will have gained the knowledge needed to determine what the scope and associated fees may be for additional phases, and the Council may elect to continue on to an additional phase – or – conclude services at that time.

For phase I, we will set a not-to-exceed amount of \$25,000 and require a retainer of \$10,000 to commence procedures. When/if we begin to approach our not-to-exceed amount of \$25,000, we will consult with the Council to determine the scope of a phase II based on the work performed and continued objectives of the Council.

Should we experience unnecessary delays, or uncooperativeness that hinders our efficient use of time, we will immediately stop our procedures, notify you of the situation and request assistance for the appropriate resolution. In such an event, you will not hold us responsible and all fees and expenses incurred will be paid to us in accordance with the terms of this engagement.

Should we identify any fraudulent activity we will immediately stop our procedures, notify you of the situation and request assistance for the appropriate resolution. In such an event, we will work collaboratively to identify the appropriate course of action regarding the continuation, expansion, or suspension of our procedures. Often times, additional procedures related to the discovery of fraudulent activity will be covered under a separate engagement letter.

We will submit invoices to you monthly, payable within 30 days. We reserve the right to defer rendering further services until payment is received on past due invoices. It is agreed that our fee is not contingent on the outcome or findings of the work we perform.

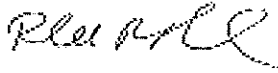
If information becomes known that would make our continued involvement in this engagement inappropriate, or if the attorneys or other parties involved in this matter change, we reserve the right to withdraw from this engagement.

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fee. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

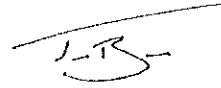
Our work, to be performed under your direction, is to perform such tasks as may be identified during the course of this engagement. However, we may refuse to perform any requested act that we deem a violation of law, public policy, or our professional ethical standards, and may, as a result, withdraw from the engagement without penalty.

If this is in accordance with your understanding and meets with your approval, please sign and date one copy of this letter in the space provided. This agreement will become effective when you return the signed copy to us.

Very truly yours,
THE BONADIO GROUP



Randall Shepard, CPA
Partner



Timothy Ball, CFE
Executive Vice President

ACKNOWLEDGMENT

This letter correctly sets forth the understanding of the Council and its agreement with the above stated terms and conditions

Officer Name: _____

Officer Signature: _____

Title: _____

Date: _____

Randy Shepard, CPA—*Partner* (rshepard@bonadio.com)



Randy is a partner in Bonadio's Government Division and is the team leader for the Buffalo and Rochester Offices. He has been with Bonadio for over 20 years with experience in many areas of attestation engagements. Randy provides consulting, accounting, and auditing services for a variety of clients such as municipalities, public authorities, and local development corporations. As a result of this work, Randy has developed extensive experience with respect to compliance and reporting requirements for these organizations, knowledge of Governmental Accounting Standards Board (GASB) pronouncements, the NYS Public Authorities Reform Act, as well as the evaluation and design of internal accounting systems. Randy has also been a speaker on various governmental topics for the NYS Association of Counties as well as Governmental Finance Officers Association, including many recent GASB standards.

Randy received his B.S. degree in Accounting from the State University of New York at Geneseo. He is a member of the American Institute of Certified Public Accountants and Government Finance Officers Association (National and Local level).

Kenneth J. Pink, CPA, Partner (kpink@bonadio.com)



Ken Pink is a partner in The Bonadio Group CPA firm. He is a member of the firm's Board of Directors, serves as co-leader of the firm's New York City Office, and is a trustee for the Bonadio 401(k) plan, which has reached more than \$100 million in assets.

Ken manages a leadership team of 15 partners and principals, with a total staff of 60 across New York State. His practice has annual revenues exceeding \$9 million.

With more than 30 years in accounting and consulting, Ken is a trusted advisor who is continually seeking to create stability, wealth and opportunity for his clients. In addition to his acumen in financial audits, Ken brings his clients a deep understanding and an unsurpassed level of experience and expertise in conducting vendor and operational audits, conducting required audits, delivering business consulting and planning, and assisting with other accounting needs.

Ken received his Bachelor of Science degree in accounting from the State University of New York at Geneseo, and has more than 30 years of public accounting experience with both international and locally based accounting firms. In 2003, Ken merged his own firm, Perry, Pink and Semmler, with The Bonadio Group.

These represent some of Ken's activities in his profession and in service to the community:

- Member of the Association of Certified Fraud Examiners Association
- Member of the New York State Government Finance Officers Association
- Member of the American Institute of Certified Public Accountants
- Associate Partner of the New York State Association of Counties
- Member of the New York State Society of Certified Public Accountants
- President of the New York State Society of Certified Public Accountants Political Action Committee
- Member of the Genesee Valley Club
- Chairman for the *Keep the Sun Shining* \$6.4 million fundraising campaign for disabled children
- Member and past president of the Rochester Rotary Club
- Council member for the SUNY College at Brockport
- Member of the Board of Directors for Matt Taibott Ministries
- Trustee of the Bonadio Group 401(k) plan, with more than 600 participants

Timothy Ball, CFE- *Executive Vice President* (tball@bonadio.com)



Tim is an Executive Vice President in Bonadio's Government Consulting Division as well as the Fraud and Forensic Accounting and Litigation Support Division. Tim currently provides a wide array of consulting, forensic and auditing services for the Firm. Tim specializes in providing forensic examination and consulting support for both criminal and civil litigation. He is an expert in designing on-site examination programs to both identify and uncover fraud. In addition, Tim has been a consultant to local governments and not-for-profits for assistance in strengthening their internal control structure and detecting and deterring fraud.

Tim received his B.S. degree in accounting from Alfred University. Tim is also a Certified Fraud Examiner (CFE) and a member of the National Association of Certified Fraud Examiners and the Western New York Certified Fraud Examiners Association.

Joseph Dillon, CPA, CFE-----*Manager* (jdillon@bonadio.com)



Joe is a Manager Bonadio's Fraud and Forensic Accounting and Litigation Support Division. Joe provides consulting services for numerous municipal, non-profit and private clients. He specializes in fraud investigations, forensic accounting, internal control reviews, efficiency studies and evaluations of policies and procedures.

Joe is a graduate of St. John Fisher College. Joe is a Certified Public Accountant (CPA) and a Certified Fraud Examiner (CFE) and a member of the American Institute of Certified Public Accountants and the National Association of Certified Fraud Examiners.