

GIRL SCOUTS HEART OF NEW JERSEY AUDIT COMMITTEE MEETING MINUTES

COMMITTEE: Audit Committee

DATE: 9/2/2020

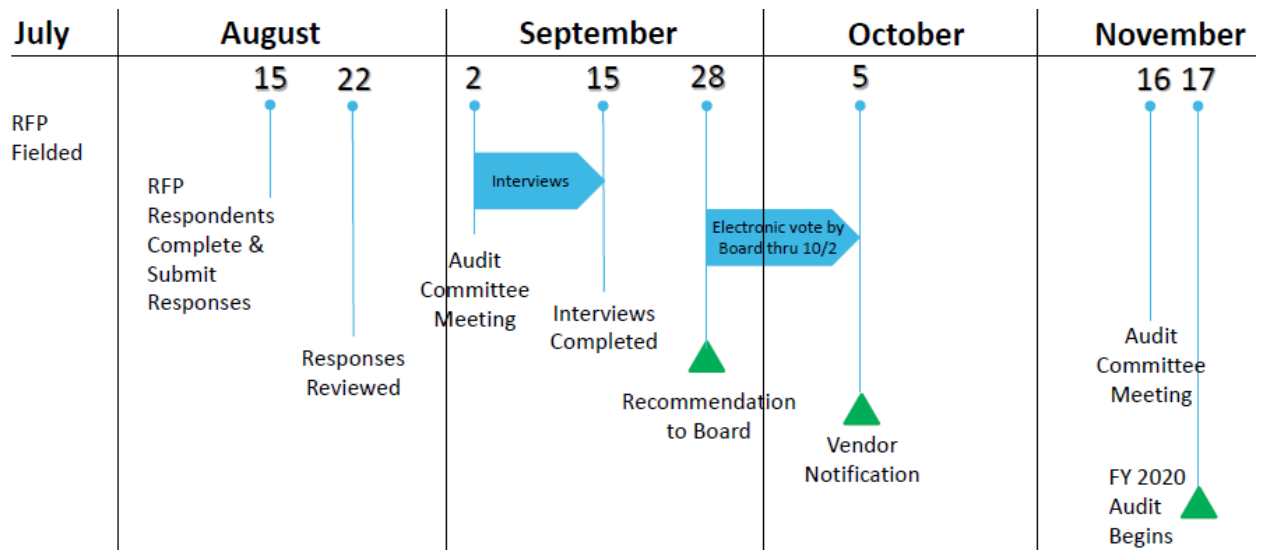
COMMITTEE/ GROUP/ INDIVIDUALS REPORTING: Serena Lee, Chair

Attendees:

Name	Position	via Zoom call
Serena Lee	Chair	Present
Dianna Beck-Clemens	Board Chair (Ex-Officio)	Present
Lori Grier	Board Treasurer (Ex-Officio)	Present
Michael Manley	Member	Present
Natasha Hemmings	CEO (Ex-Officio)	Present
Michael Forrestall	COO	Present

Welcome - The meeting started at 6:02pm.

- 1) Minutes from 7/20/2020 meeting was unanimously adopted by all members present (except for Lori who joined the meeting at a later time)
- 2) New timeline for auditor selection
 - Between now to September 25th (updated), Mike F. will schedule the interview with the top 3 finalists/ accounting firms. Dianna, Michael M. and Serena will volunteer to participate in the interview along with Natasha, Mike F. and the interim Controller.
 - The audit committee will make the recommendation to the Board by 9/28/2020 and the selected accounting firm will be notified by 10/5/2020



3) RFP evaluation process overview

- GSHNJ invited 7 accounting firms to submit a proposal, and received 6 responses back. Lear & Pannepacker was the only accounting firm did not respond.

GSHNJ's audit RFP was sent to seven potential vendors: 1.) Adeptus Partners, 2.) Dorfman, Abrams, Music LLC 3.) HFA 4.) Lear & Pannepacker 5.) Sax LLP 6.) Schulman Lobel LLP 7.) Withum Smith+Brown

- A variant of the AICPA evaluation matrix was used to evaluate the proposals internally by Mike and Natasha as follows:
 - Two-tier approach taken to evaluating responses, using a variant of the AICPA evaluation matrix:
 1. Points assigned to qualitative assessment of completeness/comprehensiveness of responses (weighted to 60% of overall score)
 2. Points assigned to average price for three year range covered in proposals (weighted to 40% of overall score)
 - Qualitative section focuses on approach to audit quality, team knowledge and experience, unique qualifications, value added services, scope and pricing of engagement
 - All respondents met the complete set of requirements, and had highest peer review ratings ("Pass")
- The pricing was clustered in the \$30K range per year, except for one firm with the lowest price bid at \$19.5K per year.

4) Below is the summary of the scores in the matrix:

Proposal Criteria		Points	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F
Approach to Audit Quality		25 points max	16	25	25	25	19	25
	The proposal outlines an audit approach that is tailored based on obtaining an understanding of the organization's activities, operating systems, personnel and special needs.	0-5	3	5	5	5	3	5
	The proposal indicates an audit approach that is tailored based on the firm's advanced understanding of your organization's industry.	0-5	4	5	5	5	3	5
	The proposal outlines the firm's processes for ensuring an efficient and effective audit process.	0-5	4	5	5	5	3	5
	The proposal showcases the firm's commitment to providing quality audit services by voluntarily adhering to higher standards of audit quality. This is evidenced by sharing their current unqualified peer review report resulting from the American Institute of CPAs or NJ Society of Certified Public Accountants external peer review process.	0-5	5	5	5	5	5	5
	The proposal indicates the firm is a dedicated member of one or more of the following firm-based voluntary membership quality centers for firms that perform audits: <ul style="list-style-type: none"> - AICPA Center for Audit Quality - AICPA Private Companies Practice Center (PCPS) - AICPA Governmental Audit Quality Center - AICPS Employee Benefit Plan Audit Quality Center - AICPA/PCPS Center for Plain English Accounting 	0-5	0	5	5	5	5	5
Team Knowledge and Experience		30 points max	15	29	25	28	22	24
	The proposal highlights the firm's commitment to professional training and staff continuity.	0-5	4	4	5	5	3	5
	The proposal outlines qualifications, industry experience, licenses and strengths for all partners.	0-5	3	5	5	5	3	3
	The proposal specifies the strengths of assigned team members as well as their years of prior experience in the particular industry and type of engagement.	0-5	3	5	5	5	5	5
	The proposal identifies how the firm will comply with applicable industry reporting regulations, if applicable	0-5	0	5	0	3	3	3
	The proposal provides the firm's background, client base, licensing information and years in business.	0-5	0	5	5	5	3	3
	If the firm does not have relevant experience in your particular industry, the proposal specifies that the firm has identified a firm with the applicable expertise/specialty to affiliate with to assist with this engagement and provides the affiliate firm's qualifications, background and experience.	0-5	5	5	5	5	5	5
Proposal Criteria		Points	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F
Unique Qualifications		10 points max	5	7	10	10	7	10
	The proposal conveys a positive and confident feeling derived from the firm's business beliefs, communication practices and unique qualifications of which lays the foundation for a trusted relationship.	0-10	5	7	10	10	7	10
Value Added Services		10 points max	3	10	10	10	8	10
	The proposal provides a listing of additional value added services the firm provides beyond the audit engagement. (e.g. proactively monitor and communicate topics relevant to your financial and business operations all year long that may impact your future success)	0-5	0	5	5	5	5	5
	It is evident that the firm understands our business and our challenges. The firm is committed to being our business advisor, beyond the audit engagement	0-5	3	5	5	5	3	5
Scope and Pricing of the Engagement		25 points max	23	25	25	25	23	23
	The proposal clearly provides a framework for the scope, timing, steps and resources to complete the engagement.	0-5	3	5	5	5	3	3
	The proposal specifies the price for the engagement and how it will be billed.	0-5	5	5	5	5	5	5
	The proposal specifies fees to be paid to specialists for the engagement (if any).	0-5	5	5	5	5	5	5
	The proposal addresses all items requested by us whether verbally or in the RFP	0-5	5	5	5	5	5	5
	The proposed fee is reasonable based on the experience, unique value and knowledge the firm brings to the engagement.	0-5	5	5	5	5	5	5
Qualitative Points		100	62	96	95	98	79	92
Weighted Qualitative Points		0.6	37.2	57.6	57	58.8	47.4	55.2
Step 2: Grade the pricing outlined in the proposal. Assign points based on the range recommended.								
Pricing	0-40	\$19,500	\$28,000	\$23,700	\$27,500	\$30,000	\$28,500	← Year 1 ← Year 2 ← Year 3 ← Avg.
		\$19,500	\$29,400	\$24,375	\$28,750	\$31,000	\$29,300	
		\$19,500	\$30,800	\$25,100	\$30,000	\$32,000	\$30,200	
		\$19,500	\$29,433	\$24,392	\$28,750	\$31,000	\$29,333	
Pricing Points		40	40	30	35	30	30	30
Resulting Scores								
Total Points		100	77.2	87.6	92.0	88.8	77.4	85.2

Recommendation for interview round:



- The name of the accounting firms were not disclosed in the matrix discussion until the top 3 finalists were selected, which are Dorfman (Firm B), HFA (Firm C) and Sax (Firm D). The other accounting firms are Adeptus (Firm A), Schulman (Firm E) and Withum (Firm F).
 - Dianna asked if we have considered minority, size of the firm and location during the scoring process. Mike F. responded yes as he has looked up the information from the accounting firm website. In addition, some proposals included pictures of the engagement team. Some candidates called Mike F. to discuss the potential opportunities.
 - Mike M. asked if all of these firms have sufficient NFP experience, and any of them is relating to other GS councils. Mike F. responded that all firms have sufficient NFP experience, and there is a partner of one of the accounting firm is sitting on the Board of another GS council.
 - Mike M. also asked if the RFP is designed or customized to suit GSHNJ needs and requirements. Mike F. said some firms are better than others. A woman partner @HFA called Mike F. to discuss GSHNJ operations and how COVID-19 has impacted GSHNJ. Dorfman has provided some suggestions and recommendations on how to improve GSHNJ F/S in the proposal.
 - Serena asked how COVID-19 will impact the upcoming audit. Mike F. said the audit will conduct remotely. All of these accounting firms have adequate IT technology to support remote audit testing.
- 5) New committee members are needed (from last meeting)
- Serena has reach out to Lauren, Board Development Committee Chair, for Audit Committee member recruitment via email on 7/21/2020. Hopefully, the Board Development Committee will be able to find 3-4 additional members for the Audit Committee.
 - Currently, the Audit Committee consists of 2 members, who is Serena Lee and Mike Manley. Dianna and Lori are not considered as members. They are the Ex-Officio.
 - Based on the Audit Committee Charge, there should be 3-7 independent committee members. We will need at least one additional member.
 - New members should have both audit and NFP experience.
- 6) Committee charge (from last meeting)
- Serena will communicate with Mike and Natasha for the changes, so that the revised charge will be uploaded to the Board portal
- 7) Review of the upcoming meeting calendar
- Mike F. will schedule the interview with the top 3 finalists between now and 9/25/2020 (updated).
 - Proposed next Audit Committee meeting on 11/16/2020 for the FY 2020 audit to kick off.
 - Tentative Audit and Finance Committee joint meeting in February 2021.

The Audit Committee meeting adjourned at 7:03p.m.