

# AUDIT COMMITTEE MINUTES

May 11, 2022 – 10:00 a.m. PUBLIC MEETING

CITY OF PORTSMOUTH, NH – City Hall – 1 Junkins Avenue

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The Audit Committee (AC) held the May 11, 2022 meeting in Conference Room A.

AC Members present: Chair Christopher M. White, Councilors John Tabor and Kate Cook, and Jesse Lynch. Secretary Harry (Hawk) Furman was absent.

City management representative: Deputy City Manager Suzanne Woodland

## **Call to Order**

Chair White called the meeting to order at 10:00 a.m.

Chair White took roll call. Councilors Tabor and Cook, Mr. Lynch indicated that they are present. Attorney Woodland indicated she was present. Mr. Furman was absent.

## **Chair's Public Statement**

Chair White commented on the March 21, 2022 comments by Councilor Tabor. These comments were based on information taken from nonpublic Audit Committee meeting material regarding "texting" by the Committee with CLA, one of the audit proposers. The minutes of his comments expanded this to "communicating" with CLA. Chair White's attorney has lodged a complaint with Attorneys Sullivan and Woodland regarding Councilor Tabor's divulging nonpublic information. Further, Chair White stated that he was the one to text Chris Rogers of CLA. Chair White's attorney, James Laboe, further made it clear that Mr. White's text, the body of which Chair White gave to the City, did not violate any restrictions placed on Chair White by Attorney Woodland. In fact, Chair White's text sought to confirm the date and time of a conference call with the Audit Committee, nothing more, contrary to any allegations or misrepresentations by Councilors Tabor, Bagley or Cook.

## **Comments Made by Deputy City Manager Woodland**

Speaking on behalf of the City Manager and the Director of Finance, Deputy City Manager Woodland stated that there was huge transparency in the City budgeting process. The quality of this was reflected in the several awards the City has won. The City takes the public's records requests very seriously. This means that Right-to-Know requests, such as former Councilor Huda's request for the Melanson contract, are given timely responses. Regarding the importance of splitting apart of the nonattest services and auditing services in the FY2022 RFP, there is a difference of opinion between the Audit Committee and City staff. Making this split is not cost-effective. Moving forward, the City will go out with a new RFP that combines nonattest and audit services in the August-September time frame. The City has not released all information beyond the FY2022 proposals because to do so might affect the bidding process for

FY 2023. She is comfortable with FY2022's bidding process. No addendum was issued due to the nonattest bidding process. The process met all required purchasing procedures.

### **Comments Made by Councilor John Tabor**

Councilor Tabor stated that the FY2022 RFP process was flawed. He highlighted that Chair White committed a process violation last fall prior to the issuance of the FY2022 RFP by discussing the cost of conducting nonattest services with one of the possible future proposers. This proposer estimated the cost to be between \$10,000 and \$12,000. He also said former Councilor Kennedy stated the whole purpose of establishing the Audit Committee was to find a new auditor. He said if that were the case, it would have been simpler for City Council to vote to replace Melanson and have staff set up the process for finding a new auditor. He also notes that the Finance Department was short-staffed last year. Once they are fully staffed, they welcome a new auditor.

### **Public Comments**

Former Councilor Petra Huda stated her surprise that while the contract with Melanson was signed on May 6, 2022, the Audit Committee had yet to receive copies of it. She in fact was given a copy of the contract and the proposals in response to a RTK request. She commented that the quality of the CLA proposal was far superior to the Melanson proposal. Melanson would only have one CPA on the Portsmouth audit while CLA would have four or five CPAs. The depth of staffing with CLA could easily explain any difference in pricing. She also expressed frustration that Deputy City Manager Woodland continues to serve on the Audit Committee contrary to any provision in Ordinance 1.414.

Former Councilor Peter Whelan spoke, expressing his disappointment that Melanson, the City's auditor for over 25 years, was not replaced by CLA. He asked if a vote had been taken by the Audit Committee and what the results were of the decision-making process. The result of hiring Melanson for another year "was an abomination." Once a new auditor is hired, there should be a forensic audit conducted. He also expressed outrage at the selective leaking of nonpublic information by Councilors drawing on Audit Committee proceedings. Finally, City staff has evidently interfered with the Audit Committee's efforts to complete its duties under Ordinance 1.414. This should not be permitted.

Former Councilor Esther Kennedy spoke by Zoom, raising the questions about Melanson's being retained to do the nonattest services in a noncompetitive bid. It would appear that only after Melanson's standalone bid of \$25,000 became apparent did the City hasten to ask Melanson quote a lower price or face a competitive bid from CLA for the nonattest services. This process seemed to violate all purchasing processes.

Attorney Woodland spoke in defense of her and the City's actions, saying that the budget process was very transparent and by way of confirmation, the City has been awarded high marks by the GFOA.

Petra Huda spoke again, stating that the budget process has nothing to do with the auditing work. The latter addresses internal controls and governance. In her opinion, the audit continues to have major problems due to its not being independent. The auditor reports to the City management first and foremost. The conflicts of interest mean the audit can never be independent.

**Approval of February 8 and 15, 2022 Minutes**

The minutes for the February 8 and 15, 2022 public meetings were approved.

The Audit Committee then went into nonpublic session in order to review and approve the minutes from the February 8, 10, 15 and 24 nonpublic minutes.

**Approval of February 8, 10, 15 and 24 Nonpublic Minutes**

The nonpublic minutes for February 8, 10, 15 and 24 were approved in nonpublic session.

The Audit Committee then returned to public session to conduct any other necessary business. The nonpublic minutes were sealed.

**Adjournment**

Councilor Tabor moved for adjournment. Councilor Cook seconded. The Committee voted to adjourn at 11:47 a.m.

The next Audit Committee meeting is scheduled for July 14, 2022 at 1:00 p.m.

Date approved: July 25, 2022

Minutes Respectfully Submitted by

Christopher White, Chair