

**R-22-285**  
**TOWNSHIP OF MONTCLAIR**

**RESOLUTION AUTHORIZING THE AWARD OF A PROFESSIONAL SERVICE CONTRACT TO PKF O'CONNOR DAVIES, LLP FOR MUNICIPAL AUDIT SERVICES FOR PERIOD ENDING DECEMBER 31, 2023 (RFP 22-21)**

December 20, 2022

WHEREAS, N.J.S.A. 40A:5-4 requires that every municipality shall have an annual audit of its books, accounts, and financial transactions by a Registered Municipal Accountant of the State of New Jersey; and

WHEREAS, on October 25, 2022, the Township issued Request for Qualifications (RFP 22 - 21) to pre-qualify vendors for Municipal Auditor and, in response to the RFQ, the Township received one proposal; and

WHEREAS, the Township Chief Financial Officer and Qualified Purchasing Agent evaluated the proposals and determined that the proposal submitted by PKF O'Connor Davies, LLP located at 20 Commerce Drive, Suite 301, Cranford, NJ 07016 fully complied with the requirements of the RFQ; and

WHEREAS, pursuant to N.J.S.A 19:44A – 20.4 et seq. this contract is being awarded under the Fair and Open Process; and

WHEREAS, the Chief Financial Officer has certified that funds are available in account number 01-201-20-136-298, subject to the adaption of the year 2023 adopted municipal budget to cover the cost of this contract from January 1, 2023, to December 31, 2023; now therefore

**BE IT RESOLVED** by the Mayor and Council of the Township of Montclair, in the County of Essex, that the Township authorizes the Township Manager be and he is hereby authorized to execute the applicable Agreement with PKF O'Connor Davies, LLP for a period of one (1) year based upon the terms and conditions set forth therein, subject to final approval by the Township Attorney; and as described herein; and

**BE IT FURTHER RESOLVED** that the total amount of this Agreement shall not exceed \$86,000.00, subject to the appropriation of sufficient funds in the year 2023 adopted municipal budget, otherwise the contract cannot exceed the amount available for the year 2023 temporary budget period.

ROLL CALL VOTE						
COUNCIL MEMBER	MOVANT	SECOND	YES	NO	ABSTAIN	ABSENT
Councilor Cummings			✓			
Deputy Mayor Hurlock		✓	✓			
Councilor Price Abrams			✓			
Councilor Russo			✓			
Councilor Schlager			✓			
Councilor Yacobellis				✓		
Mayor Spiller	✓		✓			

I HEREBY CERTIFY the foregoing to be a true copy of Resolution R-22-285 adopted by the Mayor and Council of the Township of Montclair, in the County of Essex, at its meeting held on December 20, 2022.

  
Angelese Bermudez Nieves, Township Clerk



Township of Montclair

205 Claremont Avenue

Montclair, NJ 07042

tel: 973-509-4964

fax: 973-509-0370



Chief Financial Officer  
Director of Finance

**CERTIFICATION OF FUNDS**

**I HEREBY CERTIFY THAT SUBJECT TO APPROPRIATION OF SUFFICIENT FUNDS IN THE ADOPTED BUDGET, THE TOWNSHIP OF MONTCLAIR WILL ENCUMBER THE FUNDS FOR THE PAYMENT OF SERVICES, GOODS, AND/OR MERCHANDISE AS STATED IN THE FOLLOWING CONTRACT:**

**PURPOSE OF CONTRACT** Municipal Audit services

\_\_\_\_\_  
\_\_\_\_\_

**TOTAL AMOUNT OF CONTRACT SUBJECT TO APPROPRIATIONS IN BUDGET** \$ 86,000.00

\_\_\_\_\_

**ACCOUNT NUMBER (S)** 01-201-20-136-298

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**NAME AND ADDRESS OF COMPANY** PKF O'Connor Davies, LLP

\_\_\_\_\_  
20 Commerce Drive, Suite 301  
\_\_\_\_\_  
Cranford, NJ 07016  
\_\_\_\_\_

*Padmaja Rao*

\_\_\_\_\_  
**Padmaja Rao, CPA, RMA, CMFO**  
**Chief Financial Officer**  
**Director of Finance**

**Date:** 02/01 /2022



January 22, 2023

Mr. Brain Scantlebury  
Deputy Township Manager  
Township of Montclair  
205 Claremont Avenue  
Montclair, NJ 07042

Honorable Mayor and Members of the Township Council:

This letter sets forth our understanding of the terms and objectives of our engagement, and the nature and scope of the services we will provide to the Township of Montclair (the "Township") for the period ending December 31, 2022.

Prior to the commencement of our audit(s) we may not know if an audit performed in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards ("Uniform Guidance") and/or New Jersey OMB Circular 15-08 are required. Consequently this letter includes the words "if applicable" next to relevant single audit communication requirements.

#### **Audit Objective**

We will audit the regulatory basis financial statements of the various funds and account group of the Township as of December 31, 2022 and 2021, the related statements of revenues, expenditures and changes in fund balances for the years ending December 31, 2022 and 2021, statement of fund balance, statements of revenues, statements of expenditures and related notes to the financial statements and issue our report by the statutory deadline.

We have also been engaged to report on supplementary information required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements for Federal Awards* (if applicable) and by New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (if applicable) that accompanies the Township's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- 1) Analysis by fund:
  - a) Current Fund
  - b) Trust Fund
  - c) General Capital Fund
  - d) Water Utility Fund
  - e) Sewer Utility Fund
  - f) Parking Utility Fund
  - g) General Fixed Assets Account Group

PKF O'CONNOR DAVIES, LLP  
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6200 | Fax: 908.272.2416 | [www.pkfod.com](http://www.pkfod.com)

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

The objective for our audit also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with GAGAS.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with Uniform Guidance, Audits of States, Local Governments and Non-Profit Organizations (if applicable) and NJ OMB Circular 15-08 (if applicable).

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Township's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to GAGAS.

Uniform Guidance (if applicable) and NJ OMB Circular 15-08 (if applicable) requires that we also plan and perform the audit to obtain reasonable assurance about whether the Township has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the "Uniform Guidance Compliance Supplement" and the "New Jersey State Single Audit Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the Township's major programs. The purpose of these procedures will be to express an opinion on the Township's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to Uniform Guidance and New Jersey OMB Circular 15-08. As required by Uniform Guidance and New Jersey OMB Circular 15-08, we will also perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to prevent or detect material noncompliance with compliance requirements applicable to each major federal and state award program, as applicable. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Uniform Guidance and NJ OMB Circular 15-08 (if applicable).

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also include, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement when required based on our professional judgement.

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with GAGAS in considering internal control over financial reporting and compliance and Uniform Guidance (if applicable) and NJ OMB Circular 15-08 (if applicable) in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form (if applicable) that summarize our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

We will also communicate with those charged with governance any (a) fraud involving senior management and other fraud that causes a material misstatement of the financial statements; (b) violations of laws or governmental regulations that come to our attention (unless they are clearly inconsequential); (c) disagreements with management and other serious difficulties encountered in performing the audit; and, (d) various matters related to the Township's accounting policies and financial statements.

#### **Other Services**

We will also assist in preparing the financial statements of Township in conformity with regulatory basis accounting principles as prescribed by the Division based on information provided by you, the schedule of federal awards (if applicable), the schedule of state financial assistance (if applicable) and the federal data collection form (if applicable). Additionally, we will assist/review with the Annual Debt Statement, Annual Financial Statement and the Budget document.

Other services that may be requested during the year by the Township on an "as-needed" basis and would be subject to a separate written engagement letter.

We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. 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 responsibilities.

#### **Responsibilities of Management for the Financial Statements**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements, including all disclosures, RSI and supplementary information, in conformity with regulatory basis accounting principles as prescribed by the Division.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Management's responsibilities also include identifying any significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the audit objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. The Township is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

It is possible that some of the audit will be conducted remotely. Management is responsible for ensuring that all electronically provided documents and records are complete and accurate reproductions of the original documents and records. For any part of the engagement performed on premises, management is responsible for ensuring that all applicable safeguards are in place in accordance with Centers for Disease Control guidance and any state and local regulations and guidelines. PKF O'Connor Davies holds the right to not perform work onsite if we consider the onsite conditions unsafe for any reason. Management, in coordination with PKF O'Connor Davies, is responsible to arrange for alternative methods for audit procedures that must be performed on the Township's or a third-party's premises.

At the conclusion of the engagement, we will request from management written confirmation concerning representations made to us in connection with the audit. The representation letter, among other things, will confirm management's responsibility for: (1) the preparation of the financial statements in conformity with the regulatory basis as prescribed by the Division, (2) the availability of financial records and related data, and (3) the completeness and availability of all minutes of board meetings. Management's representation letter will further confirm that: (1) the effects of any uncorrected misstatements aggregated by us during the engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, and (2) we have been informed of, or that there were no incidences of, fraud involving management or those employees who have significant roles in the Township's internal control. You will also be required to acknowledge in the management representation letter, when applicable, our assistance with preparation of the financial statements and related schedules, RSI, the schedule of expenditures of federal awards (if applicable) and schedule of state financial assistance (if applicable) and that you have reviewed and approved the financial statements, aforementioned schedules and RSI, and related notes prior to their issuance and have accepted responsibility for them. We will place reliance on these representations in issuing our report.

To the best of your knowledge, you are unaware of any facts which might impair our independence with respect to this engagement.

The financial statements are the property of the Township and can be reproduced and distributed as management desires. However, you must notify us in advance and obtain our approval if you intend to make reference to our firm in a document that includes our auditors' report on the financial statements. Because our engagement does not contemplate the foregoing, there may be an additional fee in connection with our review of any such documents. In the event our auditor/client relationship has been terminated when the Township seeks such consent, we will be under no obligation to grant such consent or approval.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

We understand that your accounting department personnel will assist us to the extent practicable in completing the audit. They will provide us with detailed trial balances, supporting schedules, and other information we deem necessary. A list of these schedules and other items of information will be furnished to you before we begin the audit. The timely and accurate completion of this information is an essential condition to our completion of the audit and the issuance of the audit report.

requested, access to such working papers will be provided under the supervision of our personnel. Furthermore, upon request, we may provide photocopies of selected working papers to them. The regulator may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies.

### **Fees and billing**

Our fee for these services will be \$81,000 for the audit of the regulatory basis financial statements and \$5,000 for the single audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

### **Liability**

Any and all claims by the Township arising under this engagement must be commenced by the Township within one year following the date on which our firm delivered our report on the financial statements associated with this engagement, or the date the Township is informed of the engagement's termination in the event our report is not delivered, for any reason.

You agree to indemnify our firm, its partners, principals and employees, to the fullest extent permitted by law for any expense, including compensation for our time at our standard billing rates and reimbursement for our out-of-pocket expenses and reasonable attorneys' fees, incurred in complying with or responding to any request (by subpoena or otherwise) for testimony, documents or other information concerning the Township by any governmental agency or investigative body or by a party in any litigation or dispute other than litigation or disputes involving claims by the Township against the firm. This indemnification will survive termination of this engagement.

### **Dispute resolution**

Any claim or controversy ("dispute") arising out of or relating to this engagement, the services provided thereunder, or any other services provided by or on behalf of the firm or any of its subcontractors or agents to the Township or at its request (including any dispute involving any person or entity for whose benefit the services in question are or were provided), shall first be submitted in good faith for mediation administered by the American Arbitration Association ("AAA") under its Mediation Rules. Each party shall bear its own costs in the mediation. Absent an agreement to the contrary, the fees and expenses of the mediator shall be shared equally by the parties.

If the dispute is not resolved by mediation within 90 days of its submission to the mediator, then, and only then, the parties shall submit the dispute for arbitration administered by the American Arbitration Association under its Professional Accounting and Related Services Dispute Resolution Rules (the "Rules"). The arbitration will be conducted before a single arbitrator selected from the AAA's Panel of Accounting Professionals and Attorneys and shall take place in New Jersey.

Any discovery sought in connection with the arbitration must be expressly approved by the arbitrator upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitrator may disclose the existence, content or result of the arbitration only as expressly provided by the Rules.

The arbitrator shall issue his or her final award in a written and reasoned decision to be provided to each party. In his or her decision, the arbitrator will declare one party the prevailing party. The arbitrator shall have the power to award to the prevailing party reasonable legal fees associated with the arbitration and prior mediation. The arbitrator shall have no authority to award non-monetary or equitable relief of any sort.

All rights and obligations set forth herein shall become the rights and obligations of any successor firm to PKF O'Connor Davies, LLP by way of merger, acquisition or otherwise.

If this letter correctly expresses your understanding of the terms of our engagement, including our respective responsibilities, please sign the enclosed copy where indicated and return it to us.

We are pleased to have this opportunity to serve you.

Very truly yours,

*PKF O'Connor Davies, LLP*

PKF O'Connor Davies, LLP

Enc.

The services and terms described in the foregoing letter are in accordance with our requirements and are acceptable to us.

**Township of Montclair**

BY:

*J.P. Pennington*

TITLE:

*Deputy Township Manager*

DATE:

*3/8/23*

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.



**Opinion**

In our opinion, the system of quality control for the accounting and auditing practice of PKF O'Connor Davies, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. PKF O'Connor Davies, LLP has received a peer review rating of *pass*.

*Davie Kaplan, CPA, P.C.*

DAVIE KAPLAN, CPA, P.C.