



Office of Commissioner Kenneth T. Welch

MEMORANDUM

TO: Aundre Green, Chair - CareerSource Pinellas
CareerSource Pinellas Board of Directors

FROM: Commissioner Kenneth T. Welch

CC: Ed Peachey, CareerSource Pinellas CEO & President
Charlie Harris, CareerSource Pinellas Counsel
Pinellas Board of County Commissioners
Jewel White, Asst. County Attorney (Audit Committee)
Bill Berger, Pinellas OMB (Audit Committee)
Mark Woodard, County Administrator
James Bennett, County Attorney

DATE: September 20, 2016

SUBJECT: Financial Auditor Engagement

As a member of the CareerSource Pinellas (WorkNet) Board and the Audit Committee, I have some concerns regarding the rationale and process for terminating the contract with our financial audit firm, CliftonLarsonAllen (CLA). I have shared some of these concerns during the Audit committee meetings of Aug. 30th and Sept. 6th, and I am compelled to share these concerns with the full board at this time.




My specific concerns are as follows:

- It is problematic for the CEO to be a voting member of the Audit committee, given the restrictions of the sunshine law, and auditing best practices. For example, as an Audit committee member, I could not discuss this issue with the CEO for clarification outside of an announced public meeting, because he is a voting member of the Audit committee. Furthermore, the presence of the CEO as a voting member of the Audit committee undermines the independence, perceived or actual, of the Audit committee from management. I would urge that we change our bylaws and/or interlocal agreement to remove the CEO as a voting member of the Audit committee.
- The rationale for terminating the audit engagement with CLA is flawed, in my opinion. CEO Peachey cited CLA's hiring of a former WorkNet CFO (Ms. Pagan) as the reason for recommending the termination of the audit agreement with CLA. However, Ms. Pagan was

not working directly on the Worknet audit, and in fact was an employee of CLA when they conducted the prior audit of Worknet (FY15). In a conversation with CLA management, they conveyed that they do not feel that Ms. Pagan's employment with their firm is an ethical conflict for the firm. The Audit committee's direction at the September 6th meeting was to terminate the CLA contract only if the firm viewed Ms. Pagan's employment as an ethical conflict.

- Finally, and of highest concern, it appears to me that the financial audit engagement was terminated by WorkNet, without authorization by the WorkNet board or the Audit committee, on or before August 26th, which was prior to the August 30th meeting of the Audit committee, when the committee first discussed this issue (see attached email). The Audit committee did not agree to terminate the contract as recommended by CEO Peachey. A full explanation of this sequence of events should be provided to the Worknet Board by CEO Peachey and Attorney Harris.


Attachment




Rybicki, Jack A.  Yesterday at 11:33 AM
To: KT Welch
CLA disengagement email from legal counsel
Inbox - Exchange  


Ken-

As requested, attached you will find the email I was provided noticing CLA of Worknet's decision to terminate the financial statement audit engagement.

Regards,

 **Jack Rybicki, CPA, Principal**
CliftonLarsonAllen LLP
Direct 813-384-2701, Mobile 813-376-3914
jack.rybicki@CLAconnect.com
Main 813-384-2700, Fax 813-384-2750
201 North Franklin Street, Suite 2500, Tampa, FL 33602
CLAconnect.com

  
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Nexia
International
Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.

From: Charles M. Harris [<mailto:CHarris@trenam.com>]
Sent: Friday, August 26, 2016 11:22 AM
To: Rybicki, Jack A.
Subject: RE: [External] re


→ Jack, per our prior conversation, please accept this email as notice of Worknet Pinellas' decision to terminate CLA's engagement for the single audit, or financial audit. No further work should be performed by CLA on this audit.

I understand that approximately \$2,750 in unbilled services exist on the audit. Please provide the appropriate invoice for this time and it will be paid.

I also understand that CLA has been working on a benefit plan audit. This project should be completed by CLA and CLA will, of course, be paid for its services.

→ Finally, I understand that you would like to communicate with the Board Chair and audit committee chair. I would prefer that any communication you believe appropriate or necessary be made in writing.

Thanks
Charley

 **TRENAM**
LAW

CHARLES M. HARRIS | ATTORNEY
Dir: 727-820-3950 | Cell: 727-692-7520 | Fax: 727-820-3970 | [email](mailto:charley.harris@trenam.com) | [vcard](http://vcard.trenam.com) | [bio](http://bio.trenam.com)
200 Central Avenue, Suite 1600, St. Petersburg, FL 33701
Main: 727-896-7171 | www.trenam.com