

Herbert J. Geary III  
Carey N. Duncan  
Roy J. Geiser  
Chris A. Hall  
Ronald W. Hickman  
Charles M. Meenehan  
Craig A. Walter  
Mark A. Welsh



February 24, 2020

The Honorable Mayor and Council  
City of Cambridge, Maryland  
Cambridge, Maryland

The purpose of this letter is to set forth the understanding of our engagement to provide Finance Director Services to the City of Cambridge, Maryland (the "City").

We will:

- **Start-up:**
  - Review organizational chart and other key policies and procedures.
  - Interview and assess current employees
  - Review and assess current accounting procedures, which include cash receipts, disbursements and various reconciliation processes.
  - Provide recommendations for efficient and effective internal controls and financial reporting
- **Weekly consulting:**
  - Assist in the development and implementation of efficient and effective internal controls, policies and procedures.
  - Assist in the development of a monthly closing calendar and preparation of monthly financial reports.
  - Provide analysis of the monthly financial reports
- **GASB Financial Statements:**
  - Aid in year-end reconciliations and closing of the fiscal year.
  - Prepare key work-papers in preparation for the annual audit.
  - Prepare financial reports in compliance with GASB standards.
  - Prepare the UFR as required by the State of Maryland.

You agree to:

- Devote uninterrupted time to working with us as needed.
- Make candid representations about your plans and expectations.
- Process monthly transactions expeditiously in accordance with the work schedule we provide.
- Prioritize the sequence of projects that we will pursue.

All services will be under the direction of Roy J. Geiser, CPA. We anticipate starting this engagement in April 2020. Either party may terminate this agreement upon thirty days written notice.

Our fees for these services are based upon the time required by the individuals assigned to the engagement, plus direct expenses. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. We estimate our fees for the services listed above to be approximately as follows:

	2020		2021		2022	
	Hours	Fee	Hours	Fee	Hours	Fee
Start-up costs	48	\$ 8,500	8	\$ 1,400	-	\$ -
Weekly consulting	400	70,900	400	70,800	400	70,300
Preparation of GASB financial statements	60	10,600	44	7,800	44	7,700
<b>Estimated fee</b>	<b>508</b>	<b>\$ 90,000</b>	<b>452</b>	<b>\$ 80,000</b>	<b>444</b>	<b>\$ 78,000</b>

As shown in the above schedule, the estimated fee should decrease after the first year.

We sincerely appreciate this opportunity to be of service to you. If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return the signed letter to us.

Very truly yours,



Roy J. Geiser, CPA  
Member

**RESPONSE:**

This letter correctly sets forth the understanding of the City of Cambridge, Maryland.

Accepted by:

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

MEMO

To: Mayor and City Commissioners  
FR: Patrick  
CC: City Attorney and Asst. City Attorney  
DT: February 28, 2020  
RE: Hiring an Accounting Firm to be the City's Finance Director

Dear All:

I am proposing we hire an accounting firm to be our finance director. I think it will help us put our books in order, provide us with reliable monthly financial reports, and potentially save us time and money.

Three Friday afternoons ago, I contacted Roy Geiser about having his company serve as the city's finance director. He and I discussed it again the next week; and last Friday, he brought a senior accountant by who would potentially serve as their point person on the project. I wrote up an RFP draft and sent it to Roy to review. I asked him to give us a proposal to provide services for three years; but advised we would likely want to look at a time frame of up to one year with an option to exit earlier if commissioners chose to hire someone or send out an RFP. My RFP draft and his proposal are provided for your review. I sent him some language changes to his proposal that he has not responded to yet. I contacted Roy because they are the most familiar with our books and our staffing.

An advantage to this approach is having a senior accountant with a significant amount of work experience review our system and help us make appropriate corrections. Another expected improvement is to have more reliable monthly financial reporting prepared and provided to us. Another is to have a seasoned accountant review the work of staff and provide coaching where needed. And finally, we would have someone to prepare for us an annual financial report that will be ready for the selected auditing firm. This last benefit should save us money on the annual audit cost.

On a side note, we solicited and received the following three-year auditing proposals.

- |   |                                  |
|---|----------------------------------|
| 1. Murphy and Murphy of La Plata, MD<br>Single Audit, \$2,650 | \$24,900; \$25,700; and \$26,500 |
| 2. Zelenkofske Axelrod<br>Single Audit, \$3,500               | \$28,750; \$29,325; and \$29,910 |
| 3. TGM<br>Single Audit, \$4,000                               | \$31,000; \$31,500; and \$32,000 |
| 4. WCS<br>Single Audit, \$6,000-\$10,000                      | \$30,000; \$30,750; and \$32,250 |
| 5. PKS<br>Single Audit, \$3,500                               | \$40,000; \$40,000; and \$42,000 |

These prices will likely not hold up as last year's audit proposal evidently did not. The firms will likely come in and find they need to perform more preparation work for us than they expected so they will likely bill us more than the original proposal. I think it could be even more so, the case, this year because we changed software.

City staff have advised they have not been able to perform the same tasks as they did under the old software. I have asked Jane and Chris to assist staff members with what they know about the Edmonds System. This has been a plus; however, I suspect we will find we are in as much need of assistance this year as we were last year, probably more.

The cost for one year of the firm's services as our finance director is projected to be \$90,000. This cost is less than the cost of a full-time finance director who may or may not be knowledgeable enough to provide the accounting work product we require. Also, the added potential of reducing our auditing costs is a plus. And, if after several months, we decide we are not satisfied with the service we can either send out an RFP or hire someone and end the agreement with a 30-day notice.

We will want to send out a multi-year RFP at the end of the calendar year if we like the service to ensure we secure the best available service. Right now, we need to prepare our books for the annual audit, so we need to secure services as soon as possible. I spoke with Chip about this Monday evening and I think he will be okay with what I am proposing.

We can set up a work session next week if commissioners want to meet with Roy. Otherwise, I can present the proposal at the next city commission meeting on March 9<sup>th</sup> and have Roy attend to answer any questions. Either way, I am going to work with Roy on the language in the proposal.

Also, we have posted an ad for a finance director. We have received one resume and will continue to post the position and receive resumes in case we decide to go that route.

## Request for Proposals Finance Director Services

The City of Cambridge is seeking proposals for finance director services from regional accounting firms. The city is requesting prospective vendors to provide a three-year proposal indicating the total cost to provide finance director services for each year beginning April first of 2020.

### **Deliverables**

The firm will provide a highly qualified point accountant who will oversee the financial maintenance and reporting function of the city. This service will include providing monthly financial reports showing line item revenues and expenditures for each fund for the current month and year-to-date by the 20<sup>th</sup> of the month following each report month. The firm will also provide a monthly cash report for each fund showing total cash and each earmarked cash restriction or allocation. The firm will perform monthly reconciliations, journal entries, adjusting entries and postings. The lead accountant and firms support staff will perform work remotely, but the point accountant will be on-site one day of the week; preferably Wednesdays, to oversee city staff, answer questions, and direct work tasks.

The city expects that at the close of each fiscal year, the firm will present to the assigned auditing firm a set of annual financial reports that are complete and in need of a basic audit review without requiring adjusting entries or additional accounting preparation work. The city also expects the firm to provide city management with efficiency suggestions, cost effective internal control ideas, and general or specific thoughts for improvement.

### **About the City**

The City of Cambridge has, in addition to the general fund, three enterprise funds, and an internal service fund. The city has a residential garbage service that is accounted for in the general fund. The city and municipal utility commission (water company) issue over 1,000 checks in a given year. The annual operating revenues for each fund are as follows: General fund, \$12.5 million; Sewer Fund, \$4.5 million; Water Fund (MUC), \$1.8 million; Marina Fund, \$.4 million; and Internal Service Fund (Partially self-funded health insurance program), \$1.2 million. The city has 4,200 residential accounts and 600 commercial accounts (includes factories). The combined entities have just over 100 employees who are paid bi-weekly. The city utilizes the Edmonds software system. The city MUC has utilized Edmonds for several years; however, the city general fund operations were transferred to Edmonds in time for the start of the current fiscal year in July 2019. The county collects approximately \$6 million annually in property taxes for the city distributing the funds to the city twice a month primarily in the last third of the calendar year. The city issues a monthly bill to each customer that includes water,

sewer, garbage, and the state Bay Fee. The city receives two large grants annually from the state of \$600,000 for road services and \$200,000 for police services. The city applies for multiple other state and federal grants each year typically totaling less than what is required for a single audit.

## **City Staff**

The city finance staff currently consists of two full-time workers and one part-time worker. The expectation is the city will have three full-time workers within the next three months. The MUC office, in the same building as the finance office, has four full-time clerks who accept and post 4,200 monthly payments (totaling \$650,000 monthly) and 3,000 annual rental property registrations (totaling approximately \$150,000). The MUC has one full-time accounts payable clerk who also handles payroll for the MUC and city staff. One of the MUC office clerks assists part-time with payroll and serves as the payroll and accounts payable clerk's back-up. The MUC has an office manager who oversees the five clerks, the meter reader, and coordinates the MUC Commission Meetings providing minutes and monthly financial reports on water operations only.

The city has a building permit office off-site that collects typically less than \$100,000 in permit fees each year. The fees are determined by set schedules overseen by the code enforcement division leader and the checks or cash are handled by two clerks who deliver the funds to the city hall finance office staff for posting and depositing. Police fines are minimal and paid by individuals at the city hall finance office. Marina fees are collected by the private marina company and deposited to an account controlled by both the city and the marina company.

The city staff will prepare the annual budget document.

## **Proposals**

The city is requesting prospective vendors to prepare and submit a proposal to City Hall at 410 Academy Street, Cambridge, Maryland 21613, Attention: City Manager and e-mail a proposal to [pcomiskey@choosecambridge.com](mailto:pcomiskey@choosecambridge.com). The firm should submit both a hard copy of all proposal documents and an electronic copy. The proposal should provide an overview of the services the vendor is planning to provide and a sample of the work product the city will receive. The prospective vendor will provide the city with a total cost for each year and a break-down of any expected start-up costs. The firm should identify the lead accountant and provide a listing of the accounting team members who will work on the Cambridge account and the role, education, and work experience of each member. The prospective finance director firm should provide a list of other customers a similar service has been provided for in the past three years. The city will accept proposals until March 19<sup>th</sup> at 2:00 p.m.