

CITY OF HIGH POINT

AGENDA ITEM



Title: Recommendation of Proposed Auditors for Fiscal Years Ending June 30, 2015 - 2018

From: Jeffrey A Moore, Financial Services Director

Meeting Date: February 16, 2015

Public Hearing: No

Advertising Date / N/A

Advertised By: -

Attachments: Memo Detailing Recommendation of Auditors for Fiscal Years Ending June 30, 2015-2018

PURPOSE:

The City Council is required by General Statute 159-34 to have an annual financial and compliance audit. As a matter of practice, the Financial Services staff periodically solicits Requests for Proposals from firms interested and qualified to perform this work for the City Council and State Treasurer's Office.

BACKGROUND:

The City's current auditors, McGladrey LLC, were originally approved in a competitive qualification process in 2001. City Council awarded its audit services to them again in the last proposal process completed in March 2011.

City Council approved last year's audit contract with McGladrey LLC and their fee of \$68,000 with the intent that the City would conduct a Request for Audit Services following the completion of the June 30, 2014 audit.

BUDGET IMPACT:

The timing of the award recommendation will provide the basis for the annual budget request by the Financial Services Department for the next fiscal year 2015-2016 from which the contract will be paid. Once the decision is made by City Council, only the cost for fiscal year ended June 30, 2015 is binding.

RECOMMENDATION / ACTIONS REQUESTED:

1. City Council is requested to consider the recommendations for firms providing qualified audit services and designate one of those firms as the City's auditors for the fiscal years ending June 30, 2015, 2016, 2017, and 2018, and direct the Financial Services Director to submit the Contract to Audit Accounts and the Client Engagement Letter/Scope of Services for the Fiscal Year Ended June 30, 2015 for City Council to authorize.



MEMORANDUM

February 9, 2015

MEMO TO: Gregory Demko, City Manager

FROM: Jeffrey A. Moore, Financial Services Director

SUBJECT: Recommendation of Auditor for Fiscal Years Ending June 30, 2015 - 2018

The Financial Services Staff solicited proposals from qualified CPA firms to provide the financial and compliance audit of the City's financial operations. The City's current auditors were approved by City Council in the last proposal process completed in March 2011. City Council approved last year's audit contract with McGladrey LLC with the intent that the City would conduct a Request for Audit Services following the completion of the June 30, 2014 audit.

The Request for Proposal (RFP) was mailed to 20 accounting firms, including all local firms as well as regional and national firms in our area who perform governmental audit services. In addition, we made our proposal available on the City's website. Sharrard McGee & Co. of High Point, Price Waterhouse Coopers LLP of Greensboro, and KPMG LLP of Greensboro all notified us that they were unable to respond to our request for proposals at this time. Proposals were due by January 28, 2015 and made by the following firms:

Cherry Bekaert & Holland	Raleigh, NC
Dixon Hughes Goodman	High Point, NC
Elliot Davis	Raleigh, NC
Martin Starnes and Associates	Hickory, NC
McGladrey	Greensboro, NC
Potter and Company	Monroe, NC
Rives and Associates	Raleigh, NC
Thompson Price Scott Adams	Whiteville, NC

Proposals were submitted in two sections. The first section primarily described the audit firm's prior governmental experience and qualifications of the firm and its personnel in performing governmental audits. The second section principally dealt with the audit approach, organization of the audit team, a tentative schedule for completing the audit within the guidelines previously established by the City, and the estimated cost for each year's audit. Only the cost for the fiscal year June 30, 2015 is binding.

The proposals were reviewed by Accounting Manager Kelly Latham, CPA and CLGFO, Accounting Supervisor Heather Forrest, CLGFO, and myself. The proposals were evaluated with significant weight given

Accounting
336.883.3240

Internal Audit
336.883.3122

Purchasing
336.883.3219

Treasury Services
336.883.3230

to the technical qualifications of each of the personnel assigned to the audit and the number and type of governmental clients the local office performed.

Firms proposing services were notified in advance that only the Top 5 proposals would have their second sections opened, which included the respective audit approach, their tentative schedule for completing the audit on time, and proposed costs for the audit. In reviewing qualifications, we did not open the cost sections for Potter and Company, Rives and Associates, nor Thompson Price Scott Adams. The remaining proposing firms are capable of performing the audit, although the Evaluation Team had reservations about the lack of recent comparable North Carolina municipal government experience of Elliot Davis and Dixon Hughes Goodman. We were also very concerned about the audit timeline proposed by Dixon Hughes Goodman. As a result, we have not recommended them for your consideration. Consequently, the City is able to select the audit firm which more closely meets the City's needs in recent governmental experience and preference for audit approach with limited emphasis on the proposed price. All cost proposals evaluated met minimum requirements. By comparison, the audit contract for last year was \$68,000. The list below is not ordered by ranking, but is provided in alphabetical order for Council's review and discussion:

Cherry Bekaert	\$ 63,000
Martin Starnes & Associates	\$ 70,000
McGladrey	\$ 59,800

The objective of Staff is to present to City Council audit firms who are capable of performing the City's financial and compliance audit. We believe that our evaluations and reference checks demonstrate that the three firms from whom the above proposals received are capable of performing our audit. The audit contract is between City Council and the auditor. Staff has evaluated the proposals with the intent to recommend to City Council the best qualified audit firm as evidenced by recent governmental experience of proposed staff on our audit team, the firm's recent and similar sized governmental clients, approach to the audit, and references provided from current and/or previous auditees for the lowest cost to the City of High Point.

The Evaluation Team is prepared to answer questions that members of Council may have about the proposal and evaluation process, audit approach, evaluation rankings, and projected hours for the audit engagement if so desired. If desired, staff is also prepared to invite those firms City Council may desire for a brief presentation as to their audit approach or if members of Council would like clarification of a proposal.

Once City Council has approved the engagement of their auditing firm for the fiscal years ending June 30, 2015 through 2018, we will submit an agenda item to recommend the Council authorize the Mayor, the City Manager, and the Chairperson of the Finance Committee to execute a formal contract for the Fiscal Year End June 30, 2015 financial and compliance audit.