

CITY OF HIGH POINT AGENDA ITEM



Title: Authorize FY2014-2015 Financial and Compliance Audit Contract

From: Jeffrey A Moore, Financial Services Director **Meeting Date:** April 13, 2015

Public Hearing: No **Advertising Date /** N/A

Advertised By:

Attachments: Contract to Audit Accounts, Engagement Letter

PURPOSE: The City Council is required by General Statute 159-34 to have an annual financial and compliance audit.

BACKGROUND: City Council selected Cherry Bekaert as the City's auditors for the fiscal years 2015, 2016, 2017 and 2018 at their meeting of March 16, 2015. The Financial Services Department staff has reviewed the proposed scope of engagement and the proposed contract to audit accounts.

BUDGET IMPACT: The audit contract will be funded from the Financial Services Department budget for FY 2015-2016. Staff has requested budget funding for these audit services and it will be included in the City Manager's Recommended Budget.

RECOMMENDATION / ACTIONS REQUESTED:

City Council is requested to approve the attached Contract to Audit Accounts and related engagement letter with Cherry Bekaert LLP for the completion of financial and compliance audit services for the fiscal year July 1, 2014-June 30, 2015 in the amount of \$63,000.

March 30, 2015

The Honorable Mayor and Members of the City Council
City of High Point, North Carolina
P.O. Box 230
High Point, NC 27261

Ladies and Gentlemen:

We at Cherry Bekaert LLP (the "Firm") are pleased to confirm our understanding of the services we are to provide for the City of High Point, North Carolina (hereafter referred to as the "City").

We will examine the accuracy and completeness of the census data provided to the Local Government Employees' Retirement System (the "LGERS") by the City for the year ended December 31, 2014. Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Accordingly, it will include tests of your records and other procedures we consider necessary to enable us to express an opinion as to whether the census data provided to the LGERS is presented, in all material respects, complete and accurate employee census data based on the criteria set by the Retirement System's Handbook revised January 2015.

If, for any reason, we are unable to complete the examination, we will describe any restrictions on performance of the procedures in our report.

Our report is intended solely for the information and use of the City's management, the North Carolina Department of State Treasurer, and the North Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

You are responsible for the accuracy and completeness of the census data that is submitted to LGERS in accordance with the criteria or assertion described above. You are also responsible for making all management decisions and performing all management functions; for designating an individual who possesses suitable skill, knowledge, or experience to oversee the services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

The City recognizes that our professional standards require that we be independent from you in our examination and our accompanying report in order to ensure that our objectivity and professional skepticism have not been compromised. As a result, we cannot enter into a fiduciary relationship with you and you should not expect that we will act only with due regard to your interest in the performance of this examination and you should not impose on us special confidence that we will conduct this examination with only your interest in mind. Because of our obligation to be independent of you, no fiduciary relationship will be created by this engagement or examination.

Eddie Burke will be your engagement partner and is responsible for assuring the overall quality, value, and timeliness of the services provided to you.

City of High Point, North Carolina
March 30, 2015
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FEES

The following summarizes the fees for the services described above:

<u>Description of Services</u>	<u>Estimated Fee</u>
Examination of Pension Census Data and Underlying Payroll Records	<u>\$5,000</u>

The fees will be billed periodically. Invoices are due on presentation. A service charge will be added to past due accounts equal to 1-1/2% per month (18% annually) on the previous month's balance less payments received during the month, with a minimum charge of \$2.00 per month.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please call Eddie Burke at 919-782-1040. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

CHERRY BEKAERT LLP



ATTACHMENT – Engagement Letter Terms and Conditions

City of High Point

ACCEPTED BY: _____

TITLE: _____ DATE: _____

Cherry Bekaert LLP
Engagement Letter Terms and Conditions

The following terms and conditions are an integral part of the attached engagement letter and should be read in their entirety in conjunction with your review of the letter.

LIMITATIONS OF THE EXAMINATION REPORT

Should the City wish to include or incorporate by reference LGERS and our report thereon into *any* other document at some future date, we will consider granting permission to include our report or incorporate our report by reference in such document at the time of the request. However, we may be required by professional standards to perform certain procedures before we can give our permission to include our report or incorporate our report by reference in another document such as an annual report, private placement, regulatory filing, etc. You agree that you will not include or incorporate by reference the census data provided to the LGERS and our report thereon, or our report into any other document without our prior written permission. In addition, to avoid unnecessary delay or misunderstandings, it is important to provide us with timely notice of your intention to issue any such document.

With regard to the electronic dissemination of the report, including reports published electronically on your Internet website, you understand that electronic sites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

RESPONSIBILITIES OF CHERRY BEKAERT LLP

In performing our examination we will be aware of the possibility that illegal acts may have occurred. However, it should be recognized that our examination will not include a detailed test of every transaction and provides no assurance that illegal acts generally will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected. We will inform you with respect to errors and fraud, or illegal acts that come to our attention during the course of our examination unless clearly inconsequential. In the event that we have to consult with the City's counsel or counsel of our choosing regarding any illegal acts we identify, additional fees incurred may be billed to the City. You agree to cooperate fully with any procedures we deem necessary to perform with respect to these matters.

Our examination will include procedures designed to obtain reasonable assurance that the assertion is in conformity with the criteria described above. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. For example, examinations performed in accordance with attestation standards are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that errors or fraud, if they exist, may not be detected.

If, for any reason, we are unable to complete the examination, we may decline to issue a report as a result of the engagement. In addition, we cannot provide assurance that an unqualified report will be expressed. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement. We will notify the appropriate party within your organization of our decision and discuss the reasons supporting our position.

MANAGEMENT'S RESPONSIBILITIES RELATED TO THE EXAMINATION

Management is responsible for:

- Providing us with the basic information required for our examination and for the accuracy and completeness of that information.
- If applicable, the fair presentation of the financial information included in the report in conformity with the acceptable financial framework or the criteria or assertion described on page one of the engagement letter.
- If applicable, the selection and application of accounting principles and the consistent application of those principles.
- Making all financial or other applicable records and related information available to us.
- Ensuring that all material information is disclosed to us.
- Granting unrestricted access to persons within the entity from whom we determine it necessary to obtain sufficient evidence to complete our examination.
- Identifying and ensuring that the City complies with the laws and regulations applicable to the criteria or assertion described on page one of the engagement letter.

Management is responsible for informing us of its views regarding the risk of fraud impacting the report at the City. Management must inform us of their knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, regulators, or others and for informing us about all known or suspected fraud affecting the City involving (a) Management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the report.

Management is responsible for the design, implementation and maintenance of programs and controls over the report and to prevent and detect fraud. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors and fraud or illegal acts.

At the conclusion of the engagement, Management will provide to us a representation letter that, among other things, addresses (1) Management's responsibilities related to the examination and confirms certain representations made to us during the examination, including, Management's acknowledgement of its responsibility for the design and implementation of programs and controls to prevent and detect fraud; (2) Management's responsibilities related to the monitoring of internal control over financial reporting; and (3) Management's knowledge, directly or from allegations by others, of fraud or suspected fraud affecting the City. The Firm will rely on Management providing these representations to us, both in the planning and performance of the examination, and in considering the fees that we will charge to perform the examination. Because we will be relying on Management's representations, you agree to indemnify the Firm, and its partners and employees, and hold them harmless from all claims, liabilities, losses, and costs arising in circumstances where there has been a known misrepresentation by an officer or employee of the City regardless of whether such officer or employee was acting in the City's interest, and *even if the Firm acted negligently or wrongfully in failing to uncover or detect such misrepresentation*. This indemnification will survive termination of this letter.

OTHER MATTERS

Access to working papers

The working papers and related documentation for the engagement are the property of the Firm and constitute confidential information. We have a responsibility to retain the

documentation for a period of time to satisfy legal or regulatory requirements for records retention. It is our policy to retain all workpapers and client information for seven years from the date of issuance of the report. It is our policy to retain emails and attachments to emails for a period of six months, except as required by any governmental regulation. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties.

We may be requested to make certain documentation available to regulators, governmental agencies (e.g., SEC, PCAOB, HUD, DOL, etc.) or their representatives ("Regulators") pursuant to law or regulations. If requested, access to the documentation will be provided to the Regulators. The Regulators may intend to distribute to others, including other governmental agencies, our working papers and related documentation without our knowledge or express permission. You hereby acknowledge and authorize us to allow Regulators access to and copies of documentation as requested. In addition, our Firm, as well as all other major accounting firms, participates in a "peer review" program covering our examination and accounting practices as required by the American Institute of Certified Public Accountants. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

Electronic transmittals

During the course of our engagement, we may need to electronically transmit confidential information to each other, within the Firm, and to other entities engaged by either party. Although email is an efficient way to communicate, it is not always a secure means of communication and thus, confidentiality may be compromised. You agree to the use of email and other electronic methods to transmit and receive information, including confidential information between the Firm, the City and other third party providers utilized by either party in connection with the engagement.

Subpoenas

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request at standard billing rates.

Dispute resolution procedures

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation would be conducted by a mediator appointed by and pursuant to the rules of the American Arbitration Association (AAA) or such other neutral facilitator acceptable to both parties. Both parties would exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute, controversy, or claim.

TERMS AND CONDITIONS SUPPORTING FEE

The estimated fees set forth in the attached engagement letter are based on anticipated full cooperation from your personnel, timely delivery of requested examination schedules and supporting information, timely communication of all significant information, the assumption that unexpected circumstances will not be encountered during the examination, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. We strive to ensure that we have the right professionals scheduled on each engagement. As a result, sudden City requested scheduling changes or scheduling changes necessitated by the agreed information not being ready on the agreed upon dates can result in expensive downtime for our professionals. Any last minute schedule changes that result in downtime for our professionals could result in additional fees. Our estimated fee does not include assistance in bookkeeping or other accounting services not previously described. If for any reason the City is unable to provide such schedules, information and assistance, the Firm and the City will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives.

The estimated fees are based on attestation standards effective as of the date of this engagement letter and known to apply to the City at this time, but do not include any time related to the application of new attestation standards that impact the City for the first time. If new attestation standards are issued subsequent to the date of this letter and are effective for the period under examination, we will estimate the impact of any such standard on the nature, timing and extent of our planned examination procedures and will communicate with you concerning the scope of the additional procedures and the estimated fees.

The City agrees to pay all costs of collection (including reasonable attorneys' fees) that the Firm may incur in connection with the collection of unpaid invoices. In the event of nonpayment of any invoice rendered by us, we retain the right to (a) suspend the performance of our services, (b) change the payment conditions under this engagement letter, or (c) terminate our services. If we elect to suspend our services, such services will not be resumed until your account is paid. If we elect to terminate our services for nonpayment, the City will be obligated to compensate us for all time expended and reimburse us for all expenses through the date of termination.

This engagement letter sets forth the entire understanding between the City and the Firm regarding the services described herein and supersedes any previous proposals, correspondence, and understandings whether written or oral. Any subsequent changes to the terms of this letter, other than additional billings, will be rendered in writing and shall be executed by both parties. Should any portion of this engagement letter be ruled invalid, it is agreed that such invalidity will not affect any of the remaining portions.