

CITY OF HIGH POINT

AGENDA ITEM

**Title: Amendment to the Audit Contract for Fiscal Year 2014-2015**

From: Jeffrey A Moore, Financial Services Director **Meeting Date:** January 19, 2016

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

Advertised By: N/A

Attachments: Amendment to Contract to Audit of Accounts

PURPOSE:

The City Council has the statutory responsibility under G.S. 159-34 to engage an auditor for the financial and compliance audit of the City's budgets, accounts, and grants. The contract terms expect and require the audit work to be completed by October 31 and the CAFR to be presented to the governing board within approximately the month following.

BACKGROUND:

City Council approved the contract with Cherry Bekaert LLP for the financial and compliance audit of the City of High Point for the Fiscal year July 1, 2014 to June 30, 2015 in the amount of \$63,000 at its meeting of April 13, 2015. The auditors completed their audit procedures in December 2015. Due to the unforeseen amount of work required by myself and my team of accounting staff to prepare the financial statements for audit and several unusual external circumstances during the period the auditors have been conducting the audit, I have requested from the Council and the Local Government Commission to extend the terms of the contract for the delivery date of the Comprehensive Annual Financial Report to the Local Government Commission until January 25, 2016. All other terms of the contract, including the audit fee, remain in force as originally proposed.

BUDGET IMPACT:

None.

RECOMMENDATION / ACTIONS REQUESTED:

City Council is requested to approve the attached extension of time for the Contract to Audit Accounts 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.

AMENDMENT TO CONTRACT TO AUDIT ACCOUNTS

Whereas, Cherry Bekaert LLP and City of High Point, NC
Audit Firm Primary Governmental Unit
and N/A entered into a contract dated April 13, 2015,
Discretely Presented Component Unit (DPCU) if applicable
in which the auditor agreed to audit the accounts of City of High Point, NC and
Primary Governmental Unit
N/A for fiscal year ended June 30, 2015
Discretely Presented Component Unit (DPCU) if applicable

and to render its audit report on or before October 31, 2015. It is now necessary that the audit completion and report submission be delayed past this date for the following reason (s):

The Accounting Division of the financial Services Department has experienced an unusual turnover and vacancy rate for a service department its size not experienced since calendar year 2008 (coincidentally the audit contract required an amended contract for time extension at that time as well.)

Because of the newness of division personnel, much of the audit preparation process this year fell again to 4 primary professionals even while OTJ training was in process while maintaining some operational measures. In addition, staff was tasked with implementing several reporting changes for the fiscal year audit report. We implemented the reporting guidance for administrative costs reimbursements between funds and restating comparative amounts for prior year comparison. Council's approval of the transfer of budgets and operations for Facility Services operations from the Internal Service Fund to the General Fund and the similar action for Environmental Services function from the General Fund to the Solid Waste Fund required significant staff work for the prior period adjustments resulting therefrom which proved to take more time than anticipated at the outset. Additionally, new guidance from the LGC required a change in accounting principles for how the City accounts and reports loans made from the CDBG program which also required a restatement of prior fiscal years. The final significant effort was the implementation of the new GASB Statement No 67 and 68 which required the City to report its share of the liability/asset of the State's LGERS pension plan. This also required a prior period adjustment that needed to be accounted and reported in addition to current year impacts and several new accounts and classifications in the financial system and resulting CAFR. As if these were not enough challenges, the same team of professionals also had to complete their implementation tasks and final field testing and problem resolution in the back-office operations of the new ACCELA software for Planning & Inspections Department as well as field testing and configuration modeling and problem resolution for Parks and Recreation's eTrak software programs. The current position complement of personnel in the Accounting division is an underlying contributor to the operational workload issues of the division/department. Additional consideration in the delay was the unexpected departure of the auditor's assigned engagement manager which appeared to overly task the engagement senior to do both jobs and also the learning curve on the audit team's first year of engagement with the City was steep as expected.

The auditor, the Governmental Unit, and DPCU if applicable, agree that the time for completion of the audit and submission of the audit Report by the auditor to the Governmental Unit and the Local Government Commission is extended to

January 25, 2016.

Contract to Audit Accounts (cont.)

City of High Point, NC

Governmental Unit

N/A

Discretely Presented Component Units (DPCU) if applicable

Audit Firm Signature:

Cherry Bekaert LLP

Name of Audit Firm

By Eddie Burke, Partner

Authorized Audit firm representative name: Type or print

Signature of authorized audit firm representative

Signature Date

eburke@cbh.com

Email Address of Audit Firm

Governmental Unit Signatures:

City of High Point, NC

Name of Primary Government

By William S. Bencini, Jr., Mayor

Mayor / Chairperson: Type or print name and title

Signature of Mayor/Chairperson of governing board

Signature Date

By James Davis, Finance Committee Chair

Chair of Audit Committee - Type or print name

**Signature of Audit Committee Chairperson

Signature Date

** If Governmental Unit has no audit committee, mark this section "N/A"

Date Primary Government Governing Body Approved
Amended Audit Contract - G.S. 159-34(a)

Pre-Audit Certificate to be completed if the Primary Government audit fee is changed in the Amended Contract:

PRE-AUDIT CERTIFICATE: Required by G.S. 159-28 (a)

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act. Additionally, the following date is the date this audit contract was approved by the governing body.

By Jeffrey A. Moore, CPA CGMA

Primary Governmental Unit Finance Officer:

Type or print name

Primary Government Finance Officer Signature

Date

(Pre-audit Certificate must be dated.)

jeff.moore@highpointnc.gov

Email Address of Finance Officer