



# Independent Auditor Selection

City of Greensboro  
Audit Committee Meeting  
March 26, 2015  
3PM



# Background on Independent Auditor Selection

- City has history of long relationships with selected auditor
  - A.M. Pullen from 1963 – 1982 (19 years)
  - Deloitte & Touche from 1983 – 1994 (12 years)
  - Cherry Bekaert from 1995 – 2014 (20 years, with partner rotations)
- 5 Year Audit Request for Proposal (RFP) cycle implemented in 1983
  - Initial Term of 3 years with (2) one-year extensions
  - Consistent with City's Service Contract Policy
  - Additional extensions with approval of CMO or Audit Committee, (established in October 2010) followed by approval of full governing board
  - RFP Conducted in 1983, 1988, 1995, 2000, 2006, 2015



# Governmental Audit Environment

- Since 1990's, large national firms in NC are moving away from governmental audit practice
- Regional firms are strengthening their government presence
  - More representation on govt. standard-setting and other boards
  - Specialized staffing in more than one office
  - Provide governmental training opportunities to others
  - Built a significant client base
  - Pricing is very competitive
    - Less on-site work; more electronic file transfer and paperless workpapers
- Additional audit staff training requirements needed to work on a governmental audit
- LGC must approve all audit contracts
  - LGC accounting and financial reporting guidance; state statutes must also be followed by units



# Audit Firms Used by “Big 10” NC Cities & Counties

AUDIT FEES  
FYE 2015, 2014, 2013

	FY 2015		FY 2014		FY 2013	
	Audit Firm	Fee	Audit Firm	Fee	Audit Firm	Fee
<b>CITIES</b>						
Winston-Salem	Cherry Bekaert LLP	\$ 88,880	Cherry Bekaert LLP	\$ 87,740	Cherry Bekaert LLP	\$ 86,445
Charlotte	Cherry Bekaert LLP	\$ 146,500 Est.	Cherry Bekaert LLP	\$ 145,000	Cherry Bekaert LLP	\$ 135,000
Raleigh	Cherry Bekaert LLP	\$ 72,500	Cherry Bekaert LLP	\$ 72,500	Cherry Bekaert LLP	\$ 71,500
Durham	Cherry Bekaert LLP	\$ 69,000	Cherry Bekaert LLP	\$ 69,000	Cherry Bekaert LLP	\$ 67,000
Greensboro	RFP	--	Cherry Bekaert LLP	\$ 72,471	Cherry Bekaert LLP	\$ 72,471
<b>COUNTIES</b>						
Forsyth	Cherry Bekaert LLP	\$ 71,000	Cherry Bekaert LLP	\$ 71,000	Cherry Bekaert LLP	\$ 71,000
Mecklenburg	Cherry Bekaert LLP	\$ 168,000	Cherry Bekaert LLP	\$ 165,000	Cherry Bekaert LLP	\$ 182,550
Wake	Elliott Davis	\$ 81,100	Elliott Davis	\$ 79,500 (+ \$ 7,500 pension testing)	Cherry Bekaert LLP	\$ 90,125
Durham	Cherry Bekaert LLP	\$ 100,000	Cherry Bekaert LLP	\$ 97,000	Cherry Bekaert LLP	\$ 95,000
Guilford	Cherry Bekaert LLP	\$ 85,688 Est.	Cherry Bekaert LLP	\$ 84,840	Cherry Bekaert LLP	\$ 84,000

Note: Fees are also impacted by the amount of preparation and work the unit's own staff can do  
County audit fees are typically higher than City fees due to extensive audit work for social services and health-related grants



## 2015 Audit RFP Process

- Solicited proposals from NC firms with audit experience in governmental units with 100,000+ population centers
  - Also, sent RFP to NC firms who requested to be on City's bidder's list
  - Posted on City E-Procurement (Purchasing) Portal for further distribution
- Pre-Bid conference call was well-attended

### *Evaluation Score:*

- Top 3 firms selected based on:
  - 60% govt. audit experience, staff qualifications, understanding of work to be performed, ability to provide consulting services and audit firm references
- Then, fee proposals opened for Top 3
  - 30% --overall contract \$ fee, cost per hour, staffing levels for fee
- Best meets needs of City
  - 10%
- M/WBE Component; 20 additional points possible
  - Aspirational goal is 6% MBE and 5% WBE



## Important Considerations

- Experience auditing governments in *North Carolina*
  - Familiarity with NC laws and regulations
  - Ongoing relationship with LGC staff
- Similar complexity of financial issues as Greensboro
  - Bond and investment transactions
- Extensive audit and consulting work for complex ERP systems
  - City uses Lawson (Infor) Financial and HR
- Number of audit hours proposed
- Partner rotation



# Audit Firm Proposals -Fees

<u>AUDIT FIRM FEES</u>	<u>PROPOSAL ORIGINATED FROM  THIS OFFICE</u>	<u>FY 2015 PROPOSED FEE  CITY AUDIT</u>	<u>FY 2015 PROPOSED FEE GCCC AUDIT</u>	<u>3 YR CONTRACT PROPOSED FEE  CITY AUDIT</u>	<u>3 YR CONTRACT PROPOSED FEE GCCC AUDIT</u>	<u>3 YR CONTRACT PROPOSED FEE COMBINED AUDITS</u>	<u>% CITY CONTRACT  MBE</u>
McGLADREY LLP	GREENSBORO,NC	\$68,940	\$4,500	\$212,340	\$13,500	\$225,840	10% -15%
CHERRY BEKAERT LLP	RALEIGH, NC	\$72,500	\$5,100	\$223,500	\$15,600	\$239,100	8.1% - 12.1%
ELLIOTT DAVIS DECOSIMO, PLLC	RALEIGH, NC	\$65,000	\$5,000	\$197,250	\$15,375	\$212,625	0



## Next Steps

- RFP Evaluation Committee is prepared to make audit contract recommendation at Audit Committee meeting
- If Audit Committee concurs, full City Council approval is scheduled for April 7 meeting
- Audit fieldwork would begin in late April-early May





## Audit Firm Recommendation

- RFP Evaluation Committee recommends selecting McGladrey for an initial audit period of three (3) years beginning June 20, 2015
  - Two (2) annual extensions possible
- 5<sup>th</sup> Largest audit firm in U.S; 8,000 employees
- 114 government sector partners
- 700 governments audited, including 10 in NC
- 10% - 15% MBE proposal
- Greensboro office location
- Familiar with Lawson financial/HR systems
- Pricing is less than FY14 fees, more audit hours proposed