



## FINANCIAL & ADMINISTRATIVE SERVICES

April 10, 2017

**TO:** Audit Committee  
Jim Westmoreland, City Manager  
Chris Wilson, Assistant City Manager

**FROM:** Rick Lusk, Finance Director

**SUBJECT:** Independent Auditor Selection

At the February 20, 2017 meeting of the Audit Committee we reported on the withdrawal of our independent auditor, RSM. The Committee directed Finance staff to rebid the audit contract. We have completed the RFP process and have our recommendation below.

### Background

State statutes require that we obtain an annual independent financial audit of the City's accounts. The field of governmental auditors is narrower than the entire pool of certified public accountants due to additional staff training and other investment required to be made by the firm, per auditing standards, in order to perform an audit of a governmental unit.

Auditors typically have large startup costs in the initial year of a new audit, which are recouped over the normal contract period of 3 years and 2 annual extensions. Greensboro has a good indication of a competitive fee charged for audits by regularly polling the other 9 large cities/counties in the state. See attached 5-year comparative fees and auditor selection of our peers.

Ideally, the audit firm begins their audit planning process in March and is on-site in April for preliminary fieldwork, in order to complete the work by the October 31<sup>st</sup> Local Government Commission (LGC) deadline each year. If the City issues debt near the end of a calendar year, the audit completion date is not flexible for the LGC. We are contemplating certain debt issuances this year and need for the audit to be completed timely.

### RFP Process

In order to encourage the participation of Historically Underutilized Businesses and smaller firms in providing audit services to the City, management carved out the Greensboro Center City Corporation (GCCC) audit work as a separate proposal from the larger City audit in FY 2017.

The GCCC audit has always been a separate contract with its own separate fee paid by the City, however it has historically been awarded to the same auditor performing the main City audit to create certain audit efficiencies. As the non-profit arm of the City associated with the issuance of certain City debt, the GCCC financial amounts and number of transactions have decreased over the years, lessening the dependence on one auditor to perform all of the work.

An Audit RFP Committee was formed, consisting of Finance, Internal Audit, and M/WBE staff. We submitted both RFPs on March 2, 2017 to 15 firms, including the 3 certified-M/WBE vendors identified, 1 located within our M/WBE plan's 10-county area and 2 in Durham. We also posted the proposal opportunity on the City's electronic procurement portal for increased vendor exposure. Proposals were requested to be returned by March 27 at 5 p.m. We received 5 proposals for the City audit and 5 proposals for the GCCC audit.

The RFP committee individually scored each of the proposals based on the Firm's experience, staff qualifications, references, understanding of work, consulting availability, and their M/WBE participation (Section 1). The 3 firms who received the highest average ranking of the committee as a whole were then scored based on their fees and their overall ability to meet the needs of the City (Section 2).

### **City of Greensboro Audit**

We received proposals from Dixon Hughes Goodman, Cherry Bekaert, CliftonLarsonAllen, W Greene PLLC, and Potter & Company. Section 1 scoring indicated that Dixon Hughes Goodman, Cherry Bekaert, and CliftonLarsonAllen were best qualified due to their depth and nature of experience and staff qualifications, among other criteria. Of the 5 proposals we received, only Cherry Bekaert included an M/WBE component, proposing to contract 15% of the audit service to an M/WBE certified vendor located in Durham.

See the chart below for fee information of the top 3 responsive firms:

Firm	FY 2017	3 Year Contract	Estimated Hours
	Proposed Fee	Proposed Fee	
Dixon Hughes Goodman	\$ 98,000	\$ 309,000	1,000
Cherry Bekaert	72,500	222,000	590
CliftonLarsonAllen	56,150	172,165	440

Overall, the RFP committee ranked Cherry Bekaert first due to the depth of their experience with large local governments in North Carolina (7 of 10 largest governments), their M/WBE participation, and meeting the overall best needs of the City. Cherry Bekaert audited the City of Greensboro for 20 years prior to our contract with RSM (McGladrey) beginning in 2015, and have a thorough understanding of our systems and processes, leading to shorter transition time and the expectation that they can meet the City's required audit deadlines.

We recommend the Audit Committee make a recommendation to the full City Council at its April 18, 2017 meeting for Cherry Bekaert to perform the annual City audit for FY17 through FY19 with the option of two annual extensions as well as for a one-time separate contract costing \$5,000 for pension census testing special procedures required by the Office of the State Auditor in 2017.

### **Greensboro Center City Corporation Audit**

We received proposals from Thomas and Gibbs, Dixon Hughes Goodman, Cherry Bekaert, CliftonLarsonAllen and Potter & Company. Thomas and Gibbs, Cherry Bekaert, and Dixon Hughes Goodman ranked highest according to the Section 1 criteria. Thomas and Gibbs audited the GCCC for the past 2 years as a sub-contractor under RSM and is familiar with the purpose and operation of the unit. Cherry Bekaert previously audited the GCCC as a component unit of the City's main audit. Both Cherry Bekaert and Thomas and Gibbs proposed an M/WBE component. Cherry Bekaert proposed contracting 75% of the audit to an M/WBE certified vendor in Durham while Thomas and Gibbs is an M/WBE certified vendor also based in Durham.

The RFP committee then received the fee information for the top 3 proposals based on qualifications and other criteria and further assigned points based on total fees, fee increases over the 3-year term, and the fees per hour as well as the firm's ability to meet the overall needs of the City. See the chart below for fee information:

Firm	FY 2017	3 Year Contract	Estimated Hours
	Proposed Fee	Proposed Fee	
Dixon Hughes Goodman	\$ 6,000	\$ 18,750	40
Cherry Bekaert	5,100	15,900	30
Thomas and Gibbs	4,500	13,950	90

Overall, the RFP committee ranked Thomas and Gibbs first due to their qualifications as well as their prior experience with the GCCC audit and fee data. Due to that experience, they should have lower start-up costs and should be able to meet the required audit deadlines.

We recommend the Audit Committee make an auditor selection recommendation to the full City Council at its April 18, 2017 meeting for Thomas and Gibbs to perform the annual Greensboro Center City Corporation audit for FY17 through FY19 with the option of two annual extensions.