



Legislation Text

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Resolution Authorizing Professional Services Agreement Between the City of Greensboro and McGladrey LLP to Provide Independent Audit Services for Fiscal Years 2015 - 2017, With Two Annual Renewals Thereafter, Subject to Annual Evaluation

Department: Finance
Council District: All

Public Hearing: n/a
Advertising Date/By: n/a

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PURPOSE: In accordance with G.S. 159-34(a), the NC Local Government Commission (LGC) requires that the governing board approve the independent auditor's contract and that the selected auditor shall report directly to the board. As discussed and recommended unanimously at the March 26, 2015 meeting of the City of Greensboro's Audit Committee, the City Council is requested to approve the proposed three (3) year audit contract with McGladrey LLP for FY 2015 - FY 2017 audit services in the amount of \$212,340 for the three (3) year term.

BACKGROUND: The City of Greensboro has followed a Request for Proposal (RFP) cycle since 1983 to obtain independent audits of the City's financial statements, awarding 3-year contracts that also contain an option for additional one-year extensions. The last audit contract was awarded in 2006 and extended through 2014. Cherry Bekaert LLP has performed satisfactorily for the most recent 20 years under contract and has periodically rotated their staff and partners associated with audit services provided to the City. Prior to that, the City contracted with Deloitte & Touche for 12 years and before that, with A.M. Pullen for 19 years.

SOLICITATION: In February 2015, the City distributed an RFP for audit services. To promote equal opportunity in accordance with the City's M/WBE Policy, the Centralized Contracting Division (CCD) consulted with the M/WBE Office and at their recommendation, the North Carolina Department of Administration's Historically Underutilized Businesses Program to determine if any Minority and Women owned audit firms from the Greensboro 10-county region specified in the Greensboro M/WBE Program Plan exist. There are no firms in the Greensboro region registered with the State, but they recommended two potential minority-owned accounting firms that are located in Durham as potential subcontractors for the project. A total of 12 North Carolina auditing firms and both of the potential MBE subcontracting firms were solicited by the City through several outreach methods. Of those firms, 6 submitted proposals. Three well-qualified finalists were identified using a standard of award based on "Best Value", as outlined in the RFP that considers audit experience, staff qualifications, understanding of work to be performed, ability to provide consulting services, firm references, and fees. Of 520 total possible scoring points assigned by an Evaluation Committee of five (5) members, the three highest scoring firms were McGladrey LLP (478 points), Cherry Bekaert LLP (458 points) and Elliott Davis Decosimo, PLLC (414 points). McGladrey LLP was selected for

contract award recommendation based on best value, due to the firm's extensive governmental resources and qualified staffing available to support the City of Greensboro's audit, among other things. McGladrey maintains an office in Greensboro, established in 1939, and employs 55 staff here.

McGladrey's proposed FY 2015 fee of \$68,940 is the lowest audit fee noted among the five largest NC cities and counties, where audit fees ranged between \$69,000 and \$168,000 per unit in 2015.

Firm qualifications and fees, among other audit-related matters were discussed at the March 26, 2015 Audit Committee meeting, whereupon the Committee voted unanimously to recommend award of the contract. The Audit Committee is comprised of the following: 3 members of City Council-voting members (Mayor Vaughan, Councilmember Matheny and Councilmember Wilkins), 1 outside member (Art Winstead, CPA), City Manager, Finance Director, and Internal Audit Director, and meets periodically to discuss audit-related matters.

M/WBE UTILIZATION: It has been the history of the Financial & Administrative Services Department to encourage and obtain diversity inclusion on past auditing services contracts. In accordance with guidance provided by the City's M/WBE Office, the RFP provided firms with an opportunity to earn up to twenty additional points for past use of M/WBE subcontractors on similar contracts and planned use of M/WBE firms on the pending contract and by performing a mentoring role. Two of the finalists proposed an MBE component. Both firms provided substantial past use of MBE firms and both submitted MBE utilization rates at or exceeding 8.1% for proposed utilization of an MBE subcontractor. The recommended firm proposed MBE utilization of 10%-15% of contract value. The aspirational goal for this contract was 6% MBE and 5% WBE.

BUDGET IMPACT: Appropriations for the audit fee of \$68,940 are included in the FY 2015 budget and funding for the audit fees in FY 2016 and FY 2017 will be included in each year's budget.

RECOMMENDATION / ACTION REQUESTED: The Audit Committee of the City of Greensboro recommends that City Council adopts a resolution to award the contract for independent audit services with McGladrey LLP in the amount of \$68,940 for FY 2015, \$70,700 for FY 2016 and \$72,700 for FY 2017 for a total contract award of \$212,340.

ADDENDUM:

Background on Standard of Award for Professional Service Contracts and 2015 Audit Contract

Although North Carolina State Statutes do not regulate the solicitation and award of Professional Service contracts such as auditing, legal, consulting, training and other professional services, it is the City's current policy to competitively solicit professional and other service contracts where practical. Governmental purchasing associations and authorities such as the School of Government consider the Best Value standard of award to be a best practice when procuring certain professional services and some other services.

The Best Value standard is typically used when aspects of the contractor's unique experience, qualifications, strategies and proposed methodologies merit substantial consideration in the selection. Pricing is also a component in the evaluation, but because these other criteria are more significant to the outcome of the project, pricing is not necessarily the dominant criteria. For example, the degree of prior experience performing state-regulated work in North Carolina could be considered more substantial to the success of the project than cost.

