

Audit Committee Special Meeting February 23, 2017 @ 3:30 pm 1st Floor – LaFayette Room 433 Hay Street, Fayetteville, NC 28301

AGENDA

- 1. Call to Order
- 2. Approval of Agenda
- 3. Selection of Independent Auditor
- 4. Adjournment

Attachments:

- a) Finance PPT Selection of Independent Auditor
- b) Bid Tab for Selection of Independent Auditor
- c) Evaluation Matrix Final Results for Selection of Independent Auditor

433 Hay Street Fayetteville, NC 28301-5537 (910) 433-1672 | (910) 433-1680 Fax www.cityoffayetteville.org



TO: City of Fayetteville Audit Committee

FROM: Kimberly Toon, Purchasing Manager

Cheryl J. Spivey, CPA, Chief Financial Officer

DATE: February 15, 2017

RE: Selection of an Independent Auditor

Relationship To Strategic Plan:

GOAL V: Sustainable Organizational Capacity, Objective A, To ensure strong financial management with fiduciary accountability and plan for future resource sustainability by aligning resources with City priorities.

Executive Summary:

The City and PWC are required by North Carolina state statues and granting agencies to have an annual audit. The Audit Committee Charter states that the Audit Committee will recommend to the City Council the selection of the independent auditors and to continually evaluate the independence of the independent auditors.

Background:

City Finance-Purchasing Division prepared and advertised a request for proposals (RFP) for the selection of an independent auditor. A copy of the RFP and addenda can be found at the following link to the City's website:

http://fayettevillenc.gov/Home/Components/RFP/RFP/120/883.

Eight proposals were received on January 27, 2017. The RFP is for three annual audits for the fiscal years ending June 30, 2017, June 30, 2018, and June 30, 2019.

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Respondents:

Rives and Associates, LLP Raleigh, NC
Elliott Davis Decosimo, Raleigh, NC
RSM US, LLP, New Bern, NC
Cherry Bekaert, LLP, Fayetteville, NC
S. Preston Douglas and Associates, LLP (SPD&A), Lumberton, NC
W. Greene, PLLC, Whiteville, NC
Carr, Riggs and Ingram (CRI), Goldsboro, NC
Thompson, Price, Scott, Adams and Co, P.A. (TPSA), Whiteville, NC

The RFP stated that we strongly encouraged Minority participation.

City Finance and PWC staff evaluated the proposals on Wednesday, February 8, 2017. The evaluation and a compilation of proposed costs is included with this report. The two highest scoring firms are Cherry Bekaert, LLP, Fayetteville, NC and RSM US, LLP, New Bern, NC.

Issues:

The selected independent auditor will need to begin fieldwork in the spring to meet the deadline set by the Local Government Commission to have the audit completed. Therefore, the selection of the auditor is time sensitive.

Budget Impact:

Audit services are budgeted on an annual basis. A separate cost sheet for The City of Fayetteville and The Public Works Commission are included in the proposals.

Options:

Select an independent audit firm to be recommended to City Council. Do not select an independent audit firm to be recommended to City Council.

Recommended Action:

Approve the evaluation matrix.

Attachments:

Selection of Independent Auditor PowerPoint Presentation Evaluation Matrix Compilation of Proposed Costs



Selection of Independent Auditor

Cheryl Spivey, CPA, Chief Financial Officer

Slide :



Selection of Independent Auditor

- Request for Proposals Advertised December 30, 2016
- 8 Proposals Received January 27, 2017

		Local Minority
Firm Name	Location	Sub-Contractor
Carr, Riggs & Ingram, LLC	Goldsboro	No
Cherry Bekaert	Fayetteville/Raleigh	Yes
Elliott Davis Decosimo, PLLC	Raleigh	No
Rives & Associates, LLP	Raleigh	No
RSM	New Bern	Yes
S. Preston Douglas & Associates, LLP	Lumberton	No
TPSA	Whiteville	No
W GREENE PLLC	Whiteville	No

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City and PWC Staff Evaluated on February 7th

FIRMS												
	Cherry Bekaert	RSM	CRI	TPSA								
Overall Average	90%	88%	71%	69%								
COF Staff Average	89%	88%	72%	68%								
PWC Staff Average	91%	89%	71%	70%								
	Elliott Davis Decosimo	SPD&A	W Greene	Rives & Associates								
Overall Average	66%	62%	59%	57%								
COF Staff Average	68%	66%	59%	62%								
PWC Staff Average	64%	58%	59%	53%								

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Cost Proposals

FIRMS													
	Cherry Bekaert			RSM		CRI	TPSA						
COF 3-Year Total	\$	\$ 264,650		\$ 238,900		\$ 200,910		162,000					
PWC 3-Year Total	\$	151,150	\$	102,000	\$	119,000	\$	88,500					
Combined 3-Year Total	\$	\$ 415,800		340,900	\$	303,915	\$	250,500					
	_	Elliott Davis Decosimo		SPD&A	v	V Greene		Rives & Associates					
COF 3-Year Total	\$	217,280	\$	261,000	\$	195,000.0	\$	301,363					
PWC 3-Year Total	\$	116,300	\$	94,200	\$	96,000.0		N/A					
Combined 3-Year Total	\$	333,580.00	\$	355,200	\$	279,000.0		N/A					

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Selection of Independent Auditor

- Firms with Highest Evaluation Scores: Cherry Bekaert and RSM
- Cherry Bekaert Scored 90%, Local Fayetteville Office, Local Minority Sub-Contractor, Familiar with City and PWC financial operations – No learning curve, 3-Year Cost \$415,800
- RSM Scored 88%, New Bern Office, Local Minority Sub-Contractor, Not Familiar with City and PWC financial operations - Fresh Pair of Eyes, 3-Year Cost \$340,900

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Questions, Discussion, Selection

lide 6



CITY OF FAYETTEVILLE / PWC

		Rives and Associates		Elliot Davis Decosimo			RSM				Cherry					
ITEM COF	DESCRIPTION Fiscal Year 1	UNI	T PRICE		TOTAL	UN	NIT PRICE		TOTAL	UN	IIT PRICE		TOTAL	UNIT PRICE		TOTAL
1	costs, travel, and on-site work	\$	92,500	\$	92,500	\$	65,000	\$	65,000	\$	68,800	\$	68,800	\$ 60,000	\$	60,000
	Financial Statement Box												· · · · · · · · · · · · · · · · · · ·			·
2	Financial Statement Preparation	\$	5,000	\$	5,000	\$	6,000	\$	6,000	\$	8,100	\$	8,100	\$ 24,800	\$	24,800
3	Extra Audit Service per Hour			\$	-	\$	_	\$	-	\$	-	\$	-	\$ -	\$	-
_				Ĺ						Ť		•				
			/aries													
			etween 0.00 and													
4	Other (Explain)).00 / HR							<u> </u>		\$	-	\$5,000		\$5,000
		۸ ما ما:	tional													
		Single	tional e Audits													
			stimate d of time													
5	Other (Explain)	if nee			07.500	\$	-	\$	- 74-000	\$	-	\$		\$2,500 /Program	¢	00.000
COF	Fiscal Year 2			\$	97,500			\$	71,000			\$	76,900		\$	89,800
1	costs, travel, and on-site work	\$	95,425	\$	95,425	\$	66,320	\$	66,320	\$	71,000	\$	71,000	\$ 63,000	\$	63,000
	Financial Statement Preparation	\$				\$						\$	8,400		\$	
	- manoral otatement rreparation	Ψ	5,000	Φ	5,000	φ	6,100	φ	6,100	\$	8,400	φ	0,400	\$ 18,400	φ	18,400
3	Extra Audit Service per Hour	\$	_	\$	-	\$	-	\$	-	\$	_	\$	-	\$ -	\$	_
4 5	Other (Explain) Other (Explain)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$ 5,500 \$2,500 /Program		5,500
		φ		\$	100,425	φ	-	\$	72,420	φ	-	φ \$	79,400	\$2,500 /F10g1a111	\$	86,900
COF	Fiscal Year 3 costs, travel, and on-site work															
1	, ,	\$	98,438	\$	98,438	\$	67,610	\$	67,610	\$	74,000	\$	74,000	\$ 66,000	\$	66,000
2	Financial Statement Preparation	\$	5,000	\$	5,000	\$	6,250	\$	6,250	\$	8,600	\$	8,600	\$ 15,950	\$	15,950
3	Extra Audit Service per Hour	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$ -	\$	- 000
4 5	Other (Explain) Other (Explain)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$ 6,000 \$2,500 /Program	\$	6,000
				\$	103,438			\$	73,860			\$	82,600.00		\$	87,950.00
PWC	Fiscal Year 1															
1	Includes Personnel costs, travel, and on-site work					\$	38,000	¢	38 000	æ	33,000	\$	33 000	\$ 40,000	\$	40,000
2	Financial Statement Preparation					\$	50,000	\$	38,000	\$	33,000	\$	33,000	\$ 40,000 \$ -	\$	40,000
3	Extra Audit Service per Hour					\$		\$		\$	-	\$		\$ -	\$	
	Other (Explain)					Ψ	-	Ψ	-	Ψ	-	Ψ	<u> </u>	\$ 8,300		8,300
•	7													Assumes 2 programs.	Ψ	3,000
														Variable price per		
5	Other (Explain)					\$	_	\$	_	\$	_	\$		program is \$2,500		
						Ψ		\$	38,000	Ψ	_	\$	33,000	, -, - , -	\$	48,300
PWC	Fiscal Year 2							Ï								
	costs, travel, and on-site work					¢	20 000	œ	20 000	¢	34,000	œ	24.000	¢ 40.000	¢	40,000
1 2	Financial Statement Preparation					\$	38,800	\$	38,800	\$	-	\$	34,000	\$ -	\$	42,000
3	Extra Audit Service per Hour Other (Explain)					\$		\$		\$	-	\$	-		\$	- 8,400
						Ĺ				Ť		*		Assumes 2 programs.	•	2, .00
														Variable price per		
5	Other (Explain)					\$	-	\$	-	\$	-	\$	_	program is \$2,500		
PWC	Fiscal Year 3							\$	38,800			\$	34,000		\$	50,400
TWC	costs, travel, and on-site work															
1						\$	39,500		39,500	\$	35,000	\$	35,000		\$	44,000
3	Financial Statement Preparation Extra Audit Service per Hour	L				\$	-	\$	-	\$	-	\$	-	\$ - \$ -	\$	-
4	Other (Explain)		-			\$	-	\$	-	\$	-	\$	-	\$ 8,450 Assumes 2	\$	8,450
														programs.		
														Variable price per program is		
5	Other (Explain)					\$	-	\$	- 39.500	\$	-	\$		\$2,500	\$	52.450
COE/PWG	Figure 4							Ţ				Ť	-00,000			02,400
COF/PWC	Fiscal Year 1 costs, travel, and on-site work															
1 2	Financial Statement Preparation									\$	101,800 8,100	\$	101,800 8,100			
3	Extra Audit Service per Hour									φ	5,100	\$				
4 5	Other (Explain) Other (Explain)											\$	-			
COF/PWC	Fiscal Year 2											\$	109,900			
	costs, travel, and on-site work															
1 2	Financial Statement Preparation									\$	105,000 8,400	\$	105,000 8,400			
3	Extra Audit Service per Hour Other (Explain)									Ĺ	.,.50	\$				
4 5	Other (Explain) Other (Explain)					L						\$ \$	-			
COF/PWC	Fiscal Year 3											\$	113,400			
	costs, travel, and on-site work									_	400.00	ć	100.000			
1 2	Financial Statement Preparation									\$	109,000 8,600	\$	109,000 8,600			
3	Extra Audit Service per Hour Other (Explain)											\$	-			
5	Other (Explain)											\$	-			
												\$	117,600			
	COF 3-Year Total			\$	301,363			\$	217,280			\$	238,900		\$	264,650
	PWC 3-Year Total			Ψ	N/A			\$	116,300			\$	102,000		\$	151,150
	Combined 3-Year Total				N/A			\$	333,580			\$	340,900		\$	415,800

CITY C	OF FAYETTEVILLE / PWC	1		Г						1			
ITEM	DESCRIPTION	UNIT PRICE	D&A TOTAL	UNIT PRIC		e PLLC TOTAL	Carr, Rig		ngram CRI TOTAL	UN	IT PRICE	PSA TOT	ΓAL
COF	Fiscal Year 1 costs, travel, and on-site work												
2	Financial Statement Brangastian	\$ 85,000 included in base audit	\$ 85,000			\$ 53,000 \$ 13,000	\$ 58,50		58,500		49,500		49,500
2	Financial Statement Preparation	\$80-150.00 per hour when		\$ 12,	000	\$ 12,000	\$ 6,50	0 \$	6,500	ф	4,500	\$	4,500
3	Extra Audit Service per Hour	applicable		\$	-	\$ -	\$ -	\$	-	\$	-	\$	-
4	Other (Explain)					\$ -		\$	-			\$	-
5	Other (Explain)		\$ 85,000			\$ 65,000		\$	- 65,000			\$	- 54,000
COF	Fiscal Year 2 costs, travel, and on-site work										<u>:</u>		, , , , , , , , , , , , , , , , , , ,
1		\$ 88,000 included in base	\$ 88,000	\$ 53,	000	\$ 53,000	\$ 60,25	5 \$	60,255	\$	49,500		49,500
2	Financial Statement Preparation	audit \$80-150.00 per		\$ 12,	000	\$ 12,000	\$ 6,69	5 \$	6,695	\$	4,500	\$	4,500
3	Extra Audit Service per Hour	hour when applicable				\$ -		\$	-			\$	-
4 5	Other (Explain) Other (Explain)		\$ 88,000			\$ -		\$				\$	- -
COF	Fiscal Year 3 costs, travel, and on-site work		\$ 88,000			\$ 65,000		\$	66,950			\$	54,000
1	SSS G STATES, AND ON-SILE WOLK	\$ 88,000 included in base	\$ 88,000	\$ 53,	000	\$ 53,000	\$ 62,06	5 \$	62,065	\$	49,500	\$	49,500
2	Financial Statement Preparation	audit \$80-150.00 per		\$ 12,	000	\$ 12,000	\$ 6,89	5 \$	6,895	\$	4,500	\$	4,500
3	Extra Audit Service per Hour	hour when applicable				\$ -		\$	-			\$	-
4 5	Other (Explain) Other (Explain)					\$ -		\$				\$ \$	-
			\$ 88,000.00			\$ 65,000.00		\$	68,960.00			\$ 54	,000.00
PWC	Fiscal Year 1												
	Includes Personnel costs, travel, and on-site												
1 2	work Financial Statement Preparation	\$ 30,000	\$ 30,000	\$ 32,	000	\$ 32,000 \$ -	\$ 38,50	0 \$	38,500	\$	29,500	\$	29,500
3	Extra Audit Service per Hour			\$		\$ -	\$ -	\$	-	\$	-	\$	-
4	Other (Explain)					\$ -		\$	-			\$	-
5	Other (Explain)							\$	-			\$	-
			\$ 30,000			\$ 32,000		\$	38,500			\$	29,500
PWC	Fiscal Year 2 costs, travel, and on-site work										<u> </u>		
2	Financial Statement Preparation	\$ 32,200	\$ 32,200	\$	-	\$ 32,000 \$ -	\$ 39,65	\$	39,655	\$	29,500	\$	29,500
3 4	Extra Audit Service per Hour Other (Explain)			*		\$ - \$ -	\$ - \$ -	\$	-	\$	-	\$	-
5	Other (Explain)							\$	_			\$	
PWC	Fiscal Year 3		\$ 32,200			\$ 32,000		\$	39,655			\$	29,500
	costs, travel, and on-site work	0 20 22	.	Φ	2000	.	Φ :: -				00 ===	.	00.77
1 2 3	Financial Statement Preparation Extra Audit Service per Hour	\$ 32,000	\$ 32,000	\$	-	\$ 32,000 \$ - \$ -	\$ 40,84 \$ - \$ -	5 \$ \$	40,845 - -	\$	29,500	\$ \$	29,500
4	Other (Explain)			Ψ		\$ -	Ψ -	\$	-	φ	-	\$	-
5	Other (Explain)							\$	-			\$	-
			\$ 32,000			\$ 32,000		\$	40,845			\$	29,500
COF/PWC	Fiscal Year 1 costs, travel, and on-site work					•	•					٠	
2	Financial Statement Preparation				000		\$ 97,00 \$ 6,50	0 \$	97,000 6,500		79,000 4,500	\$	79,000 4,500
3 4	Extra Audit Service per Hour Other (Explain)						¢ /- 4=	\$	- - (5.175)			\$	-
5 COF/PWC	Other (Explain) Fiscal Year 2					\$ 93,000	\$ (5,17	5) \$ \$	(5,175) 98,325			\$ \$	83,500
1	costs, travel, and on-site work			\$ 81,	000	\$ 81,000	\$ 99,91	2 0	99,910	\$	79,000	\$	79,000
2	Financial Statement Preparation Extra Audit Service per Hour				000			5 \$ \$	6,695		4,500	\$	4,500
4 5	Other (Explain) Other (Explain)						\$ (5,33	\$	(5,330)			\$	-
COF/PWC						\$ 93,000	,-,-	\$				\$	83,500
1	costs, travel, and on-site work					\$ 81,000	\$ 102,91		102,910		79,000		79,000
3	Financial Statement Preparation Extra Audit Service per Hour			\$ 12,	000	\$ 12,000	\$ 6,89	5 \$ \$	6,895	\$	4,500	\$	4,500 -
4 5	Other (Explain) Other (Explain)						\$ (5,49	\$ 0) \$	(5,490)			\$	- -
						\$ 93,000		\$	104,315			\$	83,500
	1	1	1	I.	1		l .	1		1		i .	

2/15/2017

162,000 88,500 250,500

200,910 119,000 303,915

195,000 96,000 279,000

261,000 94,200 355,200

COF 3-Year Total PWC 3-Year Total Combined 3-Year Total

EVALUATION MATRIX

RFP - Selection of the Independent Auditor

RFP - Selection of the Independent Auditor													
CRITERIA		FIRMS											
	Sample	RIVES & ASSOCIATES, LLP	ELLIOTT DAVIS DECOSIMO	RSM US LLP	CHERRY BEKAERT	S. PRESTON DOUGLAS AND ASSOCIATES, LLP (SPD&A)	CARR, RIGGS AND INGRAM (CRI)	THOMPSON, PRICE, SCOTT, ADAMS AND (TPSA)	W GREENE AND INGRAM , PLLC				
TEAM KNOWLEDGE AND EXPERIENCE													
THE PROPOSAL OUTLINES QUALIFICATIONS, INDUSTRY													
EXPERIENCE, LICENSES AND STRENGTHS FOR ALL													
PARTNERS	10	5.33	8.67	9.67	9.83	6.00	7.50	6.17	4.83				
THE PROPOSAL IDENTIFIES HOW THE FIRM WILL COMPLY													
WITH APPLICABLE INDUSTRY REPORTING REGULATIONS, IF APPLICABLE	10	10.00	10.00	10.00	10.00	7.17	9.50	10.00	7.33				
THE PROPOSAL PROVIDES THE FIRM'S BACKGROUND,	10	10.00	10.00	10.00	10.00	7.17	9.50	10.00	1.33				
CLIENT BASE, LICENSING INFORMATION AND YEARS IN													
BUSINESS	10	8.50	8.83	10.00	10.00	5.00	8.17	8.33	6.83				
MUNICIPAL (CITY, TOWN, ETC.) EXPERIENCE	10	5.50	9.00	9.67	10.00	6.17	7.00	6.50	5.33				
UTILITY/PUBLIC POWER EXPERIENCE	10	1.50	4.67	9.33	10.00	1.67	5.00	2.17	2.50				
25%	25.00	15.42	20.58	24.33	24.92	13.00	18.58	16.58	13.42				
SCOPE AND PRICING OF THE ENGAGEMENT													
THE PROPOSAL CLEARLY PROVIDES A FRAMEWORK FOR													
THE SCOPE, TIMING, STEPS AND RESOURCES TO				1									
COMPLETE THE ENGAGEMENT.	10	7.50	6.50	9.83	9.83	7.83	8.83	8.83	5.17				
THE PROPOSAL SPECIFIES THE PRICE FOR THE ENGAGEMENT													
AND HOW IT WILL BE BILLED.	10	6.33	3.67	9.67	9.67	9.00	8.50	8.33	9.17				
THE PROPOSAL SPECIFIES FEES TO BE PAID TO SPECIALISTS FOR					7.0.	0.00							
THE ENGAGEMENT (IF ANY).	10	0.00	0.00	0.00	0.00	0.00	0.00	1.67	0.00				
THE PROPOSAL ADDRESSES ALL ITEMS REQUESTED BY US													
WHETHER VERBALLY OR IN THE RFP.	10	5.83	3.33	10.00	10.00	8.33	10.00	9.67	8.33				
THE PROPOSED FEE IS REASONABLE BASED ON THE													
EXPERIENCE, UNIQUE VALUE AND KNOWLEDGE THE FIRM													
BRINGS TO THE ENGAGEMENT.	10	3.33	7.83	9.83	8.67	8.00	8.17	8.50	8.33				
30%	30.00	13.80	12.80	23.60	22.90	19.90	21.30	22.20	18.60				
PERSONNEL QUALIFICATIONS													
KEY/SUPPORT PERSONNEL	10	6.17	7.83	9.67	9.83	5.50	6.17	6.00	4.00				
RESUMES OF PROFESSIONAL STAFF	10	7.33	8.33	10.00	10.00	5.83	7.50	8.33	5.17				
LOCATION OF KEY PROJECT PERSONNEL	10	7.50	8.33	7.50	9.33	7.17	7.83	6.17	7.50				
ADEQUACY & AVAILABILITY OF KEY PERSONNEL &	10	5.33	8.50	9.67	9.83	5.83	7.83	6.17	5.83				
ABILITY TO COMPLETE TASKS	10	5.67	8.67	9.83	10.00	8.67	7.83	8.17	5.50				
20%	20.00	12.80	16.67	18.67	19.60	13.20	14.87	13.93	11.20				
CONSULTANTS, SUB-CONSULTANTS & OTHER PARTICIPANTS													
PERCENTAGE OF THE PROJECT RESPONSIBILITY ASSIGNED		-											
TO CONSULTANTS/SUB-CONSULTANTS	10	5.00	5.00	5.50	6.67	5.00	5.00	5.00	5.00				
RELATIVE & RELATED WORK EXPERIENCE	10	5.00	5.00	6.67	7.00	5.00	5.00	5.00	5.00				
RESUMES OF STAFF	10	5.00	5.00	6.67	7.00	5.00	5.00	5.00	5.00				
USE OF DBE OR MINORITY FIRMS	10	5.00	5.00	10.00	10.00	5.00	5.00	5.00	5.00				
LOCATION OF CONSULTANS/SUB-CONSULTANTS	10	5.00	5.00	10.00	10.00	5.00	5.00	5.00	5.00				
15%	15.00	7.50	7.50	11.65	12.20	7.50	7.50	7.50	7.50				
GENERAL QUALIFICATIONS	40	E 50	0.00	40.00	40.00	F 07	7.07	6.07	E 47				
COMPLETENESS AND QUALITY OF SUBMITTAL	10	5.50	8.33	10.00	10.00	5.67	7.67	6.67	5.17				
OPERATING HISTORY	10 10	6.67	8.17	9.50	10.00	6.83 10.00	8.50	7.00	6.50 10.00				
INSURANCE & LICENSING IN NC COMPLIANCE WITH RFP REQUIREMENTS	10	10.00 8.33	10.00 4.67	10.00 10.00	10.00 10.00	10.00	10.00 10.00	10.00 10.00	10.00				
10%	10.00	7.63	7.79	9.88	10.00	8.13	9.04	8.42	7.92				
TOTAL RATING	100.00%	57%	65%	88%	90%	62%	71%	69%	59%				

Max Score: 100%

Rating range is 1 to 10 with 10 being most favorable and 1 being less favorable.