



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

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FINANCE DEPARTMENT

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 1



Selection of Independent Auditor

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

Firm Name	Location	Local Minority 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	W 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

Slide 6



City of
Fayetteville
North Carolina

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CITY OF FAYETTEVILLE / PWC

ITEM	DESCRIPTION	SPD&A		W Greene PLLC		Carr, Riggs, Ingram CRI		TPSA	
		UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL
COF Fiscal Year 1									
1	costs, travel, and on-site work	\$ 85,000	\$ 85,000	\$ 53,000	\$ 53,000	\$ 58,500	\$ 58,500	\$ 49,500	\$ 49,500
2	Financial Statement Preparation	included in base audit		\$ 12,000	\$ 12,000	\$ 6,500	\$ 6,500	\$ 4,500	\$ 4,500
3	Extra Audit Service per Hour	\$80-150.00 per hour when applicable		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Other (Explain)				\$ -		\$ -		\$ -
5	Other (Explain)						\$ -		\$ -
		\$ 85,000		\$ 65,000		\$ 65,000		\$ 54,000	
COF Fiscal Year 2									
1	costs, travel, and on-site work	\$ 88,000	\$ 88,000	\$ 53,000	\$ 53,000	\$ 60,255	\$ 60,255	\$ 49,500	\$ 49,500
2	Financial Statement Preparation	included in base audit		\$ 12,000	\$ 12,000	\$ 6,695	\$ 6,695	\$ 4,500	\$ 4,500
3	Extra Audit Service per Hour	\$80-150.00 per hour when applicable			\$ -		\$ -		\$ -
4	Other (Explain)				\$ -		\$ -		\$ -
5	Other (Explain)						\$ -		\$ -
		\$ 88,000		\$ 65,000		\$ 66,950		\$ 54,000	
COF Fiscal Year 3									
1	costs, travel, and on-site work	\$ 88,000	\$ 88,000	\$ 53,000	\$ 53,000	\$ 62,065	\$ 62,065	\$ 49,500	\$ 49,500
2	Financial Statement Preparation	included in base audit		\$ 12,000	\$ 12,000	\$ 6,895	\$ 6,895	\$ 4,500	\$ 4,500
3	Extra Audit Service per Hour	\$80-150.00 per hour when applicable			\$ -		\$ -		\$ -
4	Other (Explain)				\$ -		\$ -		\$ -
5	Other (Explain)						\$ -		\$ -
		\$ 88,000.00		\$ 65,000.00		\$ 68,960.00		\$ 54,000.00	
PWC Fiscal Year 1									
1	Includes Personnel costs, travel, and on-site work	\$ 30,000	\$ 30,000	\$ 32,000	\$ 32,000	\$ 38,500	\$ 38,500	\$ 29,500	\$ 29,500
2	Financial Statement Preparation			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Extra Audit Service per Hour			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Other (Explain)				\$ -		\$ -		\$ -
5	Other (Explain)						\$ -		\$ -
		\$ 30,000		\$ 32,000		\$ 38,500		\$ 29,500	
PWC Fiscal Year 2									
1	costs, travel, and on-site work	\$ 32,200	\$ 32,200	\$ 32,000	\$ 32,000	\$ 39,655	\$ 39,655	\$ 29,500	\$ 29,500
2	Financial Statement Preparation			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Extra Audit Service per Hour			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Other (Explain)			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Other (Explain)						\$ -		\$ -
		\$ 32,200		\$ 32,000		\$ 39,655		\$ 29,500	
PWC Fiscal Year 3									
1	costs, travel, and on-site work	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 40,845	\$ 40,845	\$ 29,500	\$ 29,500
2	Financial Statement Preparation			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Extra Audit Service per Hour			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Other (Explain)				\$ -		\$ -		\$ -
5	Other (Explain)						\$ -		\$ -
		\$ 32,000		\$ 32,000		\$ 40,845		\$ 29,500	
COF/PWC Fiscal Year 1									
1	costs, travel, and on-site work			\$ 81,000	\$ 81,000	\$ 97,000	\$ 97,000	\$ 79,000	\$ 79,000
2	Financial Statement Preparation			\$ 12,000	\$ 12,000	\$ 6,500	\$ 6,500	\$ 4,500	\$ 4,500
3	Extra Audit Service per Hour						\$ -		\$ -
4	Other (Explain)						\$ -		\$ -
5	Other (Explain)					\$ (5,175)	\$ (5,175)		\$ -
				\$ 93,000		\$ 98,325		\$ 83,500	
COF/PWC Fiscal Year 2									
1	costs, travel, and on-site work			\$ 81,000	\$ 81,000	\$ 99,910	\$ 99,910	\$ 79,000	\$ 79,000
2	Financial Statement Preparation			\$ 12,000	\$ 12,000	\$ 6,695	\$ 6,695	\$ 4,500	\$ 4,500
3	Extra Audit Service per Hour						\$ -		\$ -
4	Other (Explain)						\$ -		\$ -
5	Other (Explain)					\$ (5,330)	\$ (5,330)		\$ -
				\$ 93,000		\$ 101,275		\$ 83,500	
COF/PWC Fiscal Year 3									
1	costs, travel, and on-site work			\$ 81,000	\$ 81,000	\$ 102,910	\$ 102,910	\$ 79,000	\$ 79,000
2	Financial Statement Preparation			\$ 12,000	\$ 12,000	\$ 6,895	\$ 6,895	\$ 4,500	\$ 4,500
3	Extra Audit Service per Hour						\$ -		\$ -
4	Other (Explain)						\$ -		\$ -
5	Other (Explain)					\$ (5,490)	\$ (5,490)		\$ -
				\$ 93,000		\$ 104,315		\$ 83,500	
COF 3-Year Total		\$ 261,000		\$ 195,000		\$ 200,910		\$ 162,000	
PWC 3-Year Total		\$ 94,200		\$ 96,000		\$ 119,000		\$ 88,500	
Combined 3-Year Total		\$ 355,200		\$ 279,000		\$ 303,915		\$ 250,500	

EVALUATION MATRIX										
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, 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 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 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 & ABILITY TO COMPLETE TASKS	10	5.33	8.50	9.67	9.83	5.83	7.83	6.17	5.83	
	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 CONSULTANTS/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										
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	6.67	8.17	9.50	10.00	6.83	8.50	7.00	6.50	
INSURANCE & LICENSING IN NC	10	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	
COMPLIANCE WITH RFP REQUIREMENTS	10	8.33	4.67	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.