THE CITY OF ASHEVILLE

Staff Report

Council Meeting Date: March 28, 2023

Subject: Fiscal Year 2023 Financial Audit Contract

Staff Resource(s): Tony McDowell, Finance Director
Becki Ogles, Assistant Finance Director

Action Requested: Adoption of a resolution authorizing the Mayor to execute a contract with Cherry Bekaert, LLP for auditing City accounts for fiscal year ending June 30, 2023.

Background:

- North Carolina General Statute §159-34 requires that local governments have its accounts audited each fiscal year and submit a copy of the audit report and financial statements to the Local Government Commission (LGC).
- In addition, per the City's Financial Policies, the City's auditor must be replaced at the end of each five-year engagement to enhance auditor independence unless lack of competition among audit firms fully qualified to perform public-sector audit make mandatory rotation counterproductive.
- The City reached the end of its prior engagement with PBMares, LLP after completion of the fiscal year 2022 audit; and as noted below, staff released a Request for Proposals (RFP) for a new external audit firm engagement in January.
- After review of the RFP submittals, staff recommends entering into a new contract for services with Cherry Bekaert, LLP to conduct an audit of the City's accounts for the fiscal year ending June 30, 2023.
- The estimated cost for fiscal year 2022-2023 audit includes a base fee of $128,000, which covers 915 hours of audit work; and an additional $21,000 for preparation of Basic Financial Statements, Combining Statements and document production if needed, for a maximum total fee of $149,000.
- Execution of this contract complies with the City's Financial Policies which states that the City "shall enter into multi-year agreements of not more than five years in duration through a series of single-year contracts as consistent with applicable legal requirements."
- This will be the first year of contracting with the new auditor firm so staff will be recommending to contract with them for another 4 years assuming services are provided as outlined within the engagement letter.

Vendor Outreach Efforts:

- Competitive Bid Request for Proposals (RFP) was released for External Audit Services on Thursday, January 12, 2023.
- Proposal Submittal Deadline was Friday, February 3, 2023
    - 5 total proposals were received by the deadline
    - 4 proposals were reviewed, due to one being non-compliant
    - Review committee consisted of 4 City staff members from different departments and 1 member from the City's Audit Committee.
    - Proposals were scored and ranked per scoring. Highest ranking was awarded the contract.

Council Goal:

- Financially Resilient City

Committee::

- Proposed contract presented to the Policy, Finance, and Human Resources Committee on March 14, 2023 and to the City's Audit Committee on March 16, 2023.

Pro:

- Contracting with Cherry Bekaert, LLP aligns with City Council's financial policy and will help ensure the timely and successful completion of the annual audit.

Con(s):

- None

Fiscal Impact:

- The maximum total fee amount of $149,000 for the annual audit is budgeted in the Internal Audit operating budget.
- Future estimated maximum audit fee for remaining 4 years' submitted in proposal:
    - 2023-2024: $157,000
    - 2024-2025: $165,200
    - 2025-2026: $174,300
    - 2026-2027: $182,400

Suggested Motion:

- Move to adopt a resolution authorizing the Mayor to execute a contract with Cherry Bekaert, LLP for auditing City accounts for the fiscal year ending June 30, 2023.

Attachment(s)

- Resolution

RESOLUTION NO. 23-___

RESOLUTION AUTHORIZING THE MAYOR TO EXECUTE A CONTRACT WITH CHERRY BEKAERT, LLP FOR AUDITING CITY ACCOUNTS FOR FISCAL YEAR 2022-2023

WHEREAS, the City is required to have its accounts audited at the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts pursuant to N.C.G.S 159-34; and

WHEREAS, the City has authority pursuant to Article 2 of Chapter 160A of the North Carolina General Statutes to enter into contracts; and

WHEREAS, Cherry Bekaert, LLP has submitted an engagement letter and contract pursuant to Generally Accepted Government Auditing Standards and the requirements of the Commission to provide audit services to the City Council for the fiscal year 2022-2023; and

WHEREAS, the City Council desires that the City's fiscal year 2022-2023 audit service contract be awarded to the firm Cherry Bekaert, LLP; and

WHEREAS, funds are included in the Internal Audit division's budget;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE THAT:

The Mayor is hereby authorized to execute a contract, the form of which shall be approved by the Local Government Commission, with Cherry Bekaert, LLP in the amount no greater than $149,000 for auditing services for fiscal year 2022-2023.

Read, approved, and adopted this 28th day of March, 2023.

_____ _____

City Clerk Mayor

Approved as to form:

_____

City Attorney