

# **SELECTION OF AUDIT FIRM TO PERFORM ANNUAL FINANCIAL AUDITS**

APRIL 15, 2015

# AUDIT REQUIRED BY STATE CODE

15.2-2511: Localities shall have their accounts and records audited annually as of June 30 by an independent certified public accountant.

# LOCALITY = CITY AND RELATED ENTITIES

Five distinct audits:

1. City
  2. City Pension Plan
  3. Greater Roanoke Transit Company [GRTC]
  4. Roanoke City Public Schools [RCPS]
  5. Berglund Center [formerly Civic Center]
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# OTHER STATE MANDATED WORK REQUIRED

- Sheriff's Internal Control Report on Agreed Upon Procedures
  - VRS Census Data Examination
    - RCPS
    - City Sheriff's Office
  - Federal Grants Compliance Audits [More commonly known as Single Audit]
    - City
    - RCPS
    - GRTC
  - Agreed Upon Procedures on the Comparative Report Transmittal Forms
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# PROCUREMENT CONSIDERATIONS

- Governance
- Procurement laws and regulations
- Commonality of Financial Policies and Procedures
- Shared Financial Systems
- Specialized Knowledge
- Contractual Agreements

Concluded that three separate selection committees should be utilized.

# CITY / PENSION PLAN SELECTION COMMITTEE

- Barbara Dameron, Director of Finance
  - Andrea Trent, Assistant Director of Finance
  - David Bell, Major Deputy Sheriff
  - Connie Carter, Human Service Business Coordinator
  - Dawn Mullins, Assistant Municipal Auditor
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# RCPS SELECTION COMMITTEE

- Steve Barnett, Assistant Superintendent for Operations
  - Kathleen Jackson, Acting Chief Financial Officer
  - Tom Powers, Director of Food and Nutrition Services
  - Donna Caldwell, Director of Accounting
  - Drew Harmon, Municipal Auditor
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# GRTC SELECTION COMMITTEE

- Carl Palmer, General Manager
- Stephanie Giles, Director of Finance
- Drew Harmon, Municipal Auditor



# AUDIT FIRM QUALITY

A quality audit firm:

- ❖ Establishes an appropriate “tone at the top” to safeguard the firm’s independence
- ❖ Applies rigorous audit processes and quality control procedures
- ❖ Promotes a culture of consultation on difficult issues
- ❖ Emphasizes the importance of providing partners and staff with continuing professional development opportunities and access to high quality technical support

Source: International Auditing and Assurance Standards Board: Framework for Audit Quality report [February 2014]

# AUDIT TEAM QUALITY

A quality audit is likely to be achieved by an audit team that:

- ❖ Recognizes the audit is performed in the wider public interest
- ❖ Exhibits objectivity, integrity, and independence
- ❖ Exhibits professional competence and due care
- ❖ Exhibits professional skepticism
- ❖ Provides useful and timely reports
- ❖ Interacts appropriately with relevant stakeholders

Source: International Auditing and Assurance Standards Board: Framework for Audit Quality report [February 2014]

# REQUEST FOR PROPOSAL

- Firm experience auditing similar entities
  - Listing of Virginia governments/ agencies who have been clients
  - Experience and qualifications of partners and staff
  - Involvement in local, state, and national organizations such as the Government Accounting Standards Board [GASB]
  - Description of audit approach, including quality assurance, communication, and reporting
  - Assurance of independence
  - Continuing professional development and technical resources
  - Copy of peer review results
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# PROPOSALS RECEIVED

City /Pension	GRTC	RCPS
KPMG *	KPMG *	
Brown, Edwards & Co *	Brown, Edwards & Co *	Brown, Edwards & Co *
Cherry Bekaert *	Cherry Bekaert *	Cherry Bekaert *
McGladrey	PB Mares	PB Mares
	Robinson Farmer Cox	Robinson Farmer Cox *

\* Invited for Interviews

# CONTRACTS AWARDED

## Cherry Bekaert:

- City
- City Pension Plan
- GRTC
- Berglund Center [Existing contract with Global Spectrum]

## Brown, Edwards & Company

- RCPS

# CHERRY BEKAERT

## Seven Offices in VA:

- Roanoke
- Lynchburg
- Richmond
- Norfolk
- Newport News
- Virginia Beach
- Tysons

## Super Regional Firm:

- 26<sup>th</sup> largest firm in US
- 950 Employees
- HQ in Richmond
- Offices in
  - North Carolina
  - South Carolina
  - Georgia
  - Florida

# CHERRY BEKAERT CLIENTS

## Virginia Cities:

- Charlottesville
- Richmond [Former]
- Suffolk
- Virginia Beach
- Portsmouth
- Hampton
- Newport News
- Chesapeake

## Virginia Counties:

- Roanoke
- Loudon
- Prince William
- Spotsylvania
- York
- Isle of Wright

# CONTRACT

- ❑ Initial Term Effective May 1, 2015 and Ending April 30, 2016
  - ❑ Automatically Renews Each Year Through 2019
  - ❑ Firm Required to Provide Notice by February 1 if Cancelling
  - ❑ City May Cancel with Seven Days Notice, With or Without Cause
  - ❑ Separate Contracts with City, City Pension Plan, and GRTC
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# FEES FOR RCPS

	2015	2016	2017	2018	2019
CAFR	26,400	27,166	27,953	28,764	29,598
A-133	9,750	10,033	10,324	10,623	10,931
VRS Examination	2,585	2,660	2,737	2,816	2,898
Student Activity Funds	17,880	18,399	18,932	19,481	20,046
<b>Totals:</b>	56,615	58,257	59,946	61,685	63,474

# PROPOSED FEES FOR GRTC [TENTATIVE]

2015	2016	2017	2018	2019
\$ 19,350	\$ 19,350	\$ 19,470	\$ 20,135	\$ 20,535

# FEES FOR CITY AND CITY PENSION PLAN

	2015	2016	2017	2018	2019
<b>City CAFR</b>	\$ 80,000	\$ 80,000	\$ 81,600	\$ 83,230	\$ 84,900
<b>Pension CAFR</b>	\$ 17,670	\$ 17,670	\$ 18,025	\$ 18,385	\$ 18,750
<b>Single Audit</b>	\$ 78,000	\$ 78,000	\$ 78,000	\$ 78,000	\$ 78,000
<b>Sheriff Procedures</b>	\$ 4,000	\$ 4,000	\$ 4,080	\$ 4,160	\$ 4,245
<b>VRS Census Data Examination</b>	\$ 3,250	\$ 3,250	\$ 3,315	\$ 3,380	\$ 3,450
<b>Totals</b>	<b>\$ 182,920</b>	<b>\$ 182,920</b>	<b>\$ 185,220</b>	<b>\$ 187,155</b>	<b>\$ 189,345</b>

# SINGLE AUDIT FEES

Estimates up to 12 grants will have to be audited compared to five (5) in the prior year:

- City designated as high risk due to 2014 findings [HUD and WIA]
- FTA grants will no longer be included in the City's Schedule of Expenditures of Federal Awards [SEFA]
  - This removes a large grant from the City's universe of grant expenditures.
  - Obtaining the required coverage of expenditures [40%] will require auditing a greater number of smaller grants.
  - This will provide greater assurance that City grants are complying with federal guidelines.

# FTA GRANTS

- GRTC Management applies for, manages, and accounts for FTA grants.
  - FTA grant funds are the largest source of revenue for GRTC
  - Reporting expenditures of FTA funds in GRTC's financial statements provides a more complete financial picture for the GRTC Board of Trustees and other stakeholders
  - The Board of Trustees will receive a report on A-133 Compliance specific to GRTC
  - The GRTC General Manager will now certify the accuracy of the Data Collection Form filed with the Federal Clearing House
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# WHAT'S NEXT

- ❖ Execute contracts
  - ❖ Cherry Bekaert will meet with KPMG
  - ❖ Engagement Letters due by May 1
  - ❖ Planning and Interim Field Work Begins in May
  - ❖ General Audit Plan Presented to the Audit Committee on June 3
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# QUESTIONS

