

City Council – Action Request Form

Date: March 19, 2024

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager
Kelly Latham, Chief Financial Officer

Council Action Requested:
Consideration of Resolution Awarding Contract for Annual Financial Statement and Compliance Audit and Annual Comprehensive Financial Report services for the City of Winston-Salem, North Carolina.

Strategic Focus Area: Service Excellence
Strategic Objective: Maintain Financial Strength
Strategic Plan Action Item: No
Key Work Item: Yes



Summary of Information:

The attached resolution authorizes a three-year contract award with an option to extend two additional years for the City’s annual financial and compliance audit as well as preparation of the City’s financial statements and assistance with the Annual Comprehensive Financial Report (ACFR) to Cherry Bekaert, LLP, independent certified public accountants and Cherry Bekaert Advisory, LLC, respectively.

The City of Winston-Salem received proposals from two qualified firms: Cherry Bekaert, and Mauldin & Jenkins. The proposal submitted by Mauldin & Jenkins is considered non-responsive as it was not delivered by the due date.

The evaluation panel consisted of Kelly Latham, Chief Financial Officer; Mike Phelps, Deputy Financial Officer; Doris Godette, Controller; and Tiffany Oliva, Director of Intergovernmental Affairs and Strategic Initiatives. The evaluation criteria included: relevant experience, cost effectiveness, M/WBE commitment, audit and statement preparation approach, and governmental references. Exhibit A provides the combined scores of the evaluation panel for Cherry Bekaert.

Cherry Bekaert, LLP has been the City’s external auditor since fiscal year 2019. The City has been satisfied with the services of the audit team. The City has also previously contracted with Cherry Bekaert Advisory, LLC, and has been satisfied with the services of the advisory team.

Committee Action:

| | | | |
|------------------|---------------|----------------|----------|
| Committee | CW – 03/19/24 | Action | Approval |
| For | Unanimous | Against | |

Remarks:

The audit is required by NC General Statute 159-34 and will be performed in accordance with auditing standards and Federal and State audit regulations and guidelines.

The Financial Management Services Department continues to experience high turnover and vacancy rates, specifically in the Accounting and Financial Reporting Division responsible for the ACFR. Given the circumstances and considering the increasing staff time required to comply with new accounting guidance, and the number of staff hours required during the completion of the audit, City staff is proposing a new contract for assistance with the ACFR to include financial statement preparation with Cherry Bekaert Advisory, LLC. It is important to note that City staff is responsible for the accurate presentation of the financial statements; staff will follow a specific review process to sign off on the final report. City staff will continue to prepare all general ledger entries and reconciliations, and various information in the ACFR, such as various note disclosures and other analysis.

The following fees are proposed for the audit and ACFR services. The proposed audit fee is an increase of 23% for the first year with 5% increases thereafter. This is a substantial increase; however, this is in line with what our peers are paying for these services. Cherry Bekaert shared that the increase is primarily due to inflation, pay increases required to retain staff, increasing technology costs to perform the audit, and additional hours to complete the audit due to new accounting requirements. A small discount (\$4,000 per year) is available if we contract for both services with Cherry Bekaert.

| Firm | Auditing Services Fiscal Years | | | | |
|---|-----------------------------------|-----------|-----------|-----------|-----------|
| | 2024 | 2025 | 2026 | 2027 | 2028 |
| Cherry Bekaert, LLP (base fee includes one major grant program) | \$132,000 | \$140,000 | \$148,000 | \$157,000 | \$166,000 |
| Cherry Bekaert, LLP (estimate with six major grant programs*) | \$159,500 | \$167,500 | \$175,500 | \$184,500 | \$193,500 |

*The City averages 5 or 6 major federal/state grant programs; cost per additional program is \$5,500. For FY 2023, the City had the following major programs: Community Development Block Grant, Emergency Rental Assistance Program, Federal Transit Grant, Transit State Maintenance Assistance Program, Coronavirus State and Local Fiscal Recovery Funds, Drinking Water State Revolving Loan Program, and Powell Bill.

| Firm | ACFR Services Fiscal Years | | | | |
|---|--|-------------|-------------|-------------|-------------|
| | 2024 | 2025 | 2026 | 2027 | 2028 |
| Cherry Bekaert Advisory, LLC | \$40,000 | \$45,000 | \$47,500 | \$50,550 | \$53,500 |
| Firm | Combined Auditing / ACFR Services (Discounted) Fiscal Years | | | | |
| | 2024 | 2025 | 2026 | 2027 | 2028 |
| Cherry Bekaert (estimate with six major grant programs) | \$195,500 | \$208,500 | \$219,000 | \$231,050 | \$243,000 |

M/WBE comment: Please see Exhibit A for a complete list of businesses notified of this Auditing and ACFR Services opportunity. The Request for Proposal was posted on the City’s and State’s purchasing websites, and staff from the Office of Business Inclusion and Advancement addressed inquiries from potential respondents about compliance with the City’s M/WBE policy.

Cherry Bekaert, LLP is contracting with a M/WBE firm to meet the City’s 10% participation goal.

Workforce Demographics: See Exhibit A