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**BOARD OF SUPERVISORS
FINANCE/GOVERNMENT OPERATIONS AND
ECONOMIC DEVELOPMENT COMMITTEE
ACTION ITEM**

SUBJECT: **AWARD AUTHORITY INCREASE/Financial and Compliance Audit Services**

ELECTION DISTRICT: Countywide

CRITICAL ACTION DATE: June 14, 2016

STAFF CONTACTS: Janet Romanchyk, Finance and Procurement
Cheryl Middleton, Finance and Procurement
John Sandy, County Administration

PURPOSE: To increase the award authority of the Financial and Compliance Audit Services Contract (External Audits).

RECOMMENDATION: **Staff** recommends that the Finance/Government Operations and Economic Development Committee (FGOEDC) authorize the Purchasing Agent to increase the award authority for the Financial and Compliance Audit Services contract with Cherry Bekaert LLP by \$330,500 for a new total of \$1,674,068.

BACKGROUND: On September 21, 2011, staff issued Request for Proposal (RFP) No. QQ-01677 for financial and compliance audit services. The intent of the RFP was to seek proposals from qualified independent certified public accountants or accounting firms to provide financial and compliance auditing and business consulting services. On February 12, 2014 the Board of Supervisors (Board) authorized the Purchasing Agent to award a five (5) year contract to Cherry Bekaert, LLP in the estimated amount of \$1,086,450.

The Code of Virginia §15.2-2511 requires the County to have all of its accounts and records, including all accounts and records of its constitutional officers audited annually by an independent certified public accountant in accordance with specific auditing standards. Under this contract, Cherry Bekaert, LLP provides an opinion on Loudoun County Government's and Loudoun County Public School's financial statements, and issue a report on the general purpose financial statements, a report on the internal control structure based on an audit of the general purpose financial statements performed in accordance with *Government Auditing Standards*, and a report on compliance based on an audit of the general purpose financial statements performed in accordance with *Government Auditing Standards* and the Commonwealth of Virginia Auditor of Public Accounts' (APA) *Specifications for Audits of Counties, Cities and Towns* (August 2011

Revision) for the fiscal years ending June 30, 2012 through 2016. Other work to be performed under this contract includes a single audit of federally funded programs, audits of other entities' financial statements, and various other as needed audits and financial reviews.

ISSUES: The original contract award included fixed fees for each of the Annual Financial Audits included in the initial five year term that totaled \$1,086,450. However, during the current contract term, staff has engaged Cherry Bekaert, LLP to perform the additional audits and reviews in addition to the Annual Financial Audits. These audits are listed below.

Additional Audits Beyond Annual Financial Audit (during contract term)	Cost	Completion Date
Middleburg Volunteer Fire Targeted and Forensic Audit	\$15,583	11/15/2013
Review of internal controls over Procurement and Monitoring of Food Service Contracts	\$19,900	01/16/2013
Post implementation audit of the new Computer Assisted Mass Appraisal (CAMA) system	\$8,416	01/28/2015
Post implementation audit of the new Enterprise Resource Planning System (ERP) Phases 1 and 3	\$52,853	01/28/2015
Fire and Rescue Stations accounting controls review	\$165,690	09/01/2014
Audit of segregation of duties and complementary anti-fraud controls for ORACLE EBS environment	\$32,038	01/05/2015
Pre and Post implementation review for Phase 2 of the ORACLE EBS	\$39,688	Ongoing
Review of the Virginia Retirement System census data	\$6,000	02/10/2015
Limited internal control maturity assessment of selected Volunteer Fire and Rescue companies	\$63,000	10/02/2015
Limited internal control maturity assessment of additional selected Volunteer Fire and Rescue companies	\$58,500	Ongoing
Post implementation audit of the PCI Tax and Collection System	\$28,000	Ongoing
Total	\$489,668	

Due to these additional audits coupled with the Annual Financial Audit, staff has allocated the entire amount of the original award authority granted by the Board, plus an additional 25% increase under staff authority as permitted per the Procurement Resolution.

To date, staff has obligated \$1,343,518 under this contract. The cost for the FY 2016 Annual Financial Audit is \$230,550 and was negotiated as part of the original contract award; however, additional award authority is required to pay for the FY 2016 Annual Financial Audit and to allow for any additional audits that may be required between now and the end of the contract term, which expires on March 31, 2017. Therefore, staff is requesting that the FGOEDC authorize the Purchasing Agent to increase the award authority by \$330,550 for a new contract total of \$1,674,068.

FISCAL IMPACT: External audit expenditures are included in the Board's operating budget. Sufficient funds exist in the Board's FY 2017 operating budget for the anticipated Annual Financial Audit and any other external audits.

ALTERNATIVES:

1. Authorize the Purchasing Agent to increase the award authority for the Financial and Compliance Audit Services contract with Cherry Bekaert LLP in the amount of \$330,550.

OR

2. Do not authorize the award authority increase and direct staff how to proceed.

DRAFT MOTIONS:

1. I move that the Finance/Government Operations and Economic Development Committee authorize the Purchasing Agent to increase the award authority of the Financial and Compliance Audit Services contract with Cherry Bekaert LLP in the amount of \$330,550 for a new total of \$1,674,068.

OR

2. I move an alternate motion.