

ORANGE COUNTY BOARD OF EDUCATION
AGENDA ITEM ABSTRACT

MEETING DATE: January 11, 2016

AGENDA ITEM No. _____

ACTION ITEM: (Y/N) N

SUBJECT: External Auditor Selection 2016-2018

INFO. CONTACT: Donna Brinkley, Chief Finance Officer PHONE: 919-732-8126 Ext. 13000

ATTACHMENTS: 1. 2015-2016 Contract
2. Engagement Letter



STRATEGIC GOAL ALIGNMENT: Orange County Schools will be the first choice for families...

Goal 5 ...through the accountable, equitable and transparent management of human and financial resources.

PURPOSE: To allow the Board of Education to consider approving Anderson, Smith & Wike as Orange County Schools' external auditors for the 2016-2018 school years.

BACKGROUND: The certified public accounting firm of Anderson, Smith & Wike has audited the financial records of Orange County Schools since the 2009-2010 school year. A request for proposal for audit services was issued on December 1, 2015. The RFP asked that firms issuing bids submit two separate sealed packages. The first package was the "Technical Proposal" and the second package was the "Cost Estimate". Bids were due on December 17th. Bids were received from six firms; Rives & Associates, Bernard Robinson & Company, Dixon Hughes Goodman, Anderson Smith & Wike, Thompson, Price, Scott, Adams & Company, and Mauldin & Jenkins. The Technical Proposal included questions related to the number of people (by level) located within the local office that will handle the audit, a list of the local office's current and prior government and school district audit clients, the experience of the local office in providing additional services to school system clients, the professional experience in school system audits of each senior and higher level person assigned to the audit, the relevant educational background of each person assigned to the audit, senior level and higher, the professional experience of assigned individuals in auditing relevant government organizations, and any specialized skill, training or background in public finance of assigned individuals. As the RFP stated, the Technical Proposal was opened and carefully reviewed for all six firms.

The RFP stated that the Cost Estimate for only the top three firms (based on a careful review of the Technical Proposal) would be opened. Evaluation for these three firms included critical factors such as: experience with school board audits, the qualifications and experience of their audit teams, additional services offered, staff development, and conference presentations. The Cost Estimates were opened and carefully reviewed for; Thompson, Price, Scott, Adams & Company, Anderson, Smith & Wike, and Dixon Hughes Goodman. This section of the RFP response included questions related to the type of program used, use of statistical sampling, use of computer audit specialists, organization of the audit team, the management letter, a tentative schedule, information regarding the assistance expected from Orange County Schools' staff, as well as the cost estimate.

Based on a very extensive review of all proposals received, it is recommended that Orange County Schools retain Anderson, Smith & Wike as its external auditors for the 2016-2018 school years. A few facts that led to this recommendation are as follows:

- Anderson, Smith & Wike currently audits 40 school districts in North Carolina, significantly more than other firms reviewed and other firms in the state.
- The audit team will include two partners on the account, each with over 20 years of school board audit experience.
- Unlike the other firms considered, Anderson, Smith & Wike will have a partner on site for all interim and final fieldwork.
- Anderson, Smith & Wike offers many additional professional services such as fraud investigations and internal control assessments.
- The two partners on the OCS audit team have engaged in numerous continuing education opportunities and have been instructors at conferences presenting topics such as fraud investigations, internal controls, segregation of duties, etc.
- The overall auditing package proposed by Anderson Smith & Wike best meets the needs of Orange County Schools.
- Anderson, Smith & Wike presented the lowest cost proposal of the three cost estimates that were opened, although the cost is not the governing factor.

The bids were carefully reviewed, and it is recommended that Anderson, Smith & Wike be selected as Orange County Schools' external auditors for a three year period beginning with the 2015-2016 school year. The contract and engagement letter the district will be expected to sign, after approval by the BOE on January 25th, is attached.

FINANCIAL IMPACT: The cost for 2015-2016 is \$31,500. The 2016-2017 and 2017-18 cost estimates remain the same. Sufficient funds are budgeted in the FY 2015-2016 local operating budget to support this expenditure.

RECOMMENDATION(S): The Superintendent recommends the Board of Education consider contracting with Anderson, Smith & Wike to conduct the District's external audit for the 2016-2018 school years