

FORSYTH COUNTY

BOARD OF COMMISSIONERS

ADDITIONAL
ITEM

MEETING DATE: SEPTEMBER 22, 2014 AGENDA ITEM NUMBER: 13

SUBJECT: RESOLUTION AUTHORIZING EXECUTION OF AMENDMENTS TO THE AUDIT CONTRACT AND ENGAGEMENT LETTER WITH CHERRY BEKAERT LLP TO COMPLETE THE ANNUAL INDEPENDENT AUDIT FOR FORSYTH COUNTY FOR FISCAL YEAR 2013-2014 (FINANCE DEPARTMENT)

COUNTY MANAGER'S RECOMMENDATION OR COMMENTS:

SUMMARY OF INFORMATION:

ATTACHMENTS: YES NO

SIGNATURE: _____ DATE: _____
COUNTY MANAGER

**RESOLUTION AUTHORIZING EXECUTION OF AMENDMENTS TO
THE AUDIT CONTRACT AND ENGAGEMENT LETTER WITH
CHERRY BEKAERT LLP TO COMPLETE THE ANNUAL INDEPENDENT
AUDIT FOR FORSYTH COUNTY FOR FISCAL YEAR 2013-2014
(FINANCE DEPARTMENT)**

WHEREAS, on March 24, 2014, the Forsyth County Board of Commissioners adopted a Resolution authorizing execution of an audit contract and engagement letter with Cherry Bekaert LLP to complete the annual independent audit for Forsyth County for fiscal year 2013-2014; and

WHEREAS, the Office of the State Auditor (“OSA”) is now requiring two additional reports to be prepared for Forsyth County, North Carolina (“the County”) for the fiscal year ended June 30, 2014, which will require amendments to the original agreements; and

WHEREAS, the first additional service required by the OSA is an examination and report for attestation services in accordance with AT Section 101, which is designed to encompass the completeness and accuracy of the census data reported to the Department of State Treasurer’s Retirement System Division for the year ended December 31, 2013, which service will cost the County an additional \$5,000; and

WHEREAS, the second additional service required by the OSA is an Agreed Upon Procedures (“AUP”) report, which will cover procedures performed to assist the State Auditor in evaluating the eligibility intake functions at the County for the year ended June 30, 2014, which service will cost the County an additional \$2,000; and

WHEREAS, the Local Government Commission has determined that both of the above reports, which are new this fiscal year, are mandatory and must be included in the Annual Independent Audit for Forsyth County for fiscal year 2013-2014;

NOW, THEREFORE, BE IT RESOLVED that the Forsyth County Board of Commissioners hereby authorizes Cherry Bekaert LLP to complete the above-described two additional required reports for Forsyth County, North Carolina for the fiscal year ended June 30, 2014.

BE IT FURTHER RESOLVED that the Chairman is hereby authorized to execute, on behalf of Forsyth County and the Board, the required amendment to the Audit Contract with Cherry Bekaert LLP for the provision of an additional report for audit services for Forsyth County for fiscal year ended June 30, 2014 at an additional cost of \$5,000, subject to a pre-audit certificate thereon by the Chief Financial Officer, where applicable, and approval as to form and legality by the County Attorney.

BE IT FURTHER RESOLVED that the Chairman is hereby authorized to execute, on behalf of Forsyth County and the Board, the required amendment to the engagement letter with Cherry Bekaert LLP related to the audit for fiscal year ended June 30, 2014, at an additional cost of \$2,000, subject to a pre-audit certificate thereon by the Chief Financial Officer, where applicable, and approval as to form and legality by the County Attorney.

Adopted this the 22nd day of September 2014.

September 15, 2014

The Board of County Commissions
Forsyth County, North Carolina
201 N. Chestnut Street
Winston-Salem, NC 27101

Ladies and Gentlemen:

We at Cherry Bekaert LLP (the "Firm") are pleased to confirm our understanding of the services we are to provide for Forsyth County, North Carolina (hereafter referred to as the "County").

We will examine the accuracy and completeness of the census data provided to the Local Government Employees' Retirement System (the "LGERS") by the County for the year ended December 31, 2013. Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Accordingly, it will include tests of your records and other procedures we consider necessary to enable us to express an opinion as to whether the census data provided to the LGERS is presented, in all material respects, complete and accurate employee census data based on the criteria set by the Retirement System's Handbook revised January 2014.

If, for any reason, we are unable to complete the examination, we will describe any restrictions on the performance of the procedures in our report.

Our report is intended solely for the information and use of the County's management, the North Carolina Department of State Treasurer, and the North Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

You are responsible for the accuracy and completeness of the census data that is submitted to LGERS in accordance with the criteria or assertion described above. You are also responsible for making all management decisions and performing all management functions; for designating an individual who possesses suitable skill, knowledge, or experience to oversee the services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Eddie Burke will be your engagement partner and is responsible for assuring the overall quality, value, and timeliness of the services provided to you.

FEES

The following summarizes the fees for the services described above:

<u>Description of Services</u>	<u>Fee</u>
Examination of Pension Census Data and Underlying Payroll Records.	\$5,000

The fees will be billed periodically in accordance with the schedule presented below. Invoices are due on presentation. A service charge will be added to past due accounts equal to 1-1/2% per month (18% annually) on the previous month's balance less payments received during the month, with a minimum charge of \$2.00 per month.

Forsyth County, North Carolina

September 15, 2014

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We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please call Eddie Burke at 919.782.1040. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

CHERRY BEKAERT LLP

Cherry Bekaert LLP

ATTACHMENT – Engagement Letter Terms and Conditions

Forsyth County, North Carolina

ACCEPTED BY: _____

TITLE: _____ DATE: _____

Cherry Bekaert LLP
Engagement Letter Terms and Conditions

The following terms and conditions are an integral part of the attached engagement letter and should be read in their entirety in conjunction with your review of the letter.

LIMITATIONS OF THE EXAMINATION REPORT

Should the County wish to include or incorporate by reference LGERS and our report thereon into *any* other document at some future date, we will consider granting permission to include our report or incorporate our report by reference in such document at the time of the request. However, we may be required by professional standards to perform certain procedures before we can give our permission to include our report or incorporate our report by reference in another document such as an annual report, private placement, regulatory filing, etc. You agree that you will not include or incorporate by reference the census data provided to the LGERS and our report thereon, or our report into any other document without our prior written permission. In addition, to avoid unnecessary delay or misunderstandings, it is important to provide us with timely notice of your intention to issue any such document.

With regard to the electronic dissemination of the report, including reports published electronically on your Internet website, you understand that electronic sites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

RESPONSIBILITIES OF CHERRY BEKAERT LLP

In performing our examination we will be aware of the possibility that illegal acts may have occurred. However, it should be recognized that our examination will not include a detailed test of every transaction and provides no assurance that illegal acts generally will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected. We will inform you with respect to errors and fraud, or illegal acts that come to our attention during the course of our examination unless clearly inconsequential. In the event that we have to consult with the County's counsel or counsel of our choosing regarding any illegal acts we identify, additional fees incurred may be billed to the County. You agree to cooperate fully with any procedures we deem necessary to perform with respect to these matters.

Our examination will include procedures designed to obtain reasonable assurance that the assertion is in conformity with the criteria described above. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. For example, examinations performed in accordance with attestation standards are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that errors or fraud, if they exist, may not be detected.

If, for any reason, we are unable to complete the examination, we may decline to issue a report as a result of the engagement. In addition, we cannot provide assurance that an unmodified report will be expressed. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement. We will notify the appropriate party within your organization of our decision and discuss the reasons supporting our position.

MANAGEMENT'S RESPONSIBILITIES RELATED TO THE EXAMINATION

Management is responsible for:

- Providing us with the basic information required for our examination and for the accuracy and completeness of that information.
- If applicable, the fair presentation of the financial information included in the report in conformity with the acceptable financial framework or the criteria or assertion described on page one of the engagement letter.
- If applicable, the selection and application of accounting principles and the consistent application of those principles.
- Making all financial or other applicable records and related information available to us.
- Ensuring that all material information is disclosed to us.
- Granting unrestricted access to persons within the entity from whom we determine it necessary to obtain sufficient evidence to complete our examination.
- Identifying and ensuring that the County complies with the laws and regulations applicable to the criteria or assertion described on page one of the engagement letter.

Management is responsible for informing us of its views regarding the risk of fraud impacting the report at the County. Management must inform us of their knowledge of any allegations of fraud or suspected fraud affecting the County received in communications from employees, former employees, regulators, or others and for informing us about all known or suspected fraud affecting the County involving (a) Management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the report.

Management is responsible for the design, implementation and maintenance of programs and controls over the report and to prevent and detect fraud. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors and fraud or illegal acts.

At the conclusion of the engagement, Management will provide to us a representation letter that, among other things, addresses (1) Management's responsibilities related to the examination and confirms certain representations made to us during the examination, including, Management's acknowledgement of its responsibility for the design and implementation of programs and controls to prevent and detect fraud; (2) Management's responsibilities related to the monitoring of internal control over financial reporting; and (3) Management's knowledge, directly or from allegations by others, of fraud or suspected fraud affecting the County. The Firm will rely on Management providing these representations to us, both in the planning and performance of the examination, and in considering the fees that we will charge to perform the examination. Because we will be relying on Management's representations, to indemnify the Firm, and its partners and employees, and hold them harmless from all claims, liabilities, losses, and costs arising in circumstances where there has been a known misrepresentation by an officer or employee of the County regardless of whether such officer or employee was acting in the County's interest, and *even if the Firm acted negligently or wrongfully in failing to uncover or detect such misrepresentation*. This indemnification will survive termination of this letter.

OTHER MATTERS

Access to working papers

The working papers and related documentation for the engagement are the property of the Firm and constitute confidential information. We have a responsibility to retain the documentation for a period of time to satisfy legal or regulatory requirements for records retention. It is our policy to retain all workpapers and client information for seven years from the date of issuance of the report. It is our policy to retain emails and attachments to emails for a period of six months, except as required by any governmental regulation. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties.

We may be requested to make certain documentation available to regulators, governmental agencies (e.g., SEC, PCAOB, HUD, DOL, etc.) or their representatives ("Regulators") pursuant to law or regulations. If requested, access to the documentation will be provided to the Regulators. The Regulators may intend to distribute to others, including other governmental agencies, our working papers and related documentation without our knowledge or express permission. You hereby acknowledge and authorize us to allow Regulators access to and copies of documentation as requested. In addition, our Firm, as well as all other major accounting firms, participates in a "peer review" program covering our examination and accounting practices as required by the American Institute of Certified Public Accountants. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

Electronic transmittals

During the course of our engagement, we may need to electronically transmit confidential information to each other, within the Firm, and to other entities engaged by either party. Although email is an efficient way to communicate, it is not always a secure means of communication and thus, confidentiality may be compromised. You agree to the use of email and other electronic methods to transmit and receive information, including confidential information between the Firm, the County and other third party providers utilized by either party in connection with the engagement.

Subpoenas

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request at standard billing rates.

Dispute resolution procedures

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation would be conducted by a mediator appointed by and pursuant to the rules of the American Arbitration Association (AAA) or such other neutral facilitator acceptable to both parties. Both parties would exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute, controversy, or claim.

TERMS AND CONDITIONS SUPPORTING FEE

The estimated fees set forth in the attached engagement letter are based on anticipated full cooperation from your personnel, timely delivery of requested examination schedules and supporting information, timely communication of all significant information, the assumption that unexpected circumstances will not be encountered during the examination, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. We strive to ensure that we have the right professionals scheduled on each engagement. As a result, sudden County requested scheduling changes or scheduling changes necessitated by the agreed information not being ready on the agreed upon dates can result in expensive downtime for our professionals. Any last minute schedule changes that result in downtime for our professionals could result in additional fees. Our estimated fee does not include assistance in bookkeeping or other accounting services not previously described. If for any reason the County is unable to provide such schedules, information and assistance, the Firm and the County will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives.

The estimated fees are based on attestation standards effective as of the date of this engagement letter and known to apply to the County at this time, but do not include any time related to the application of new attestation standards that impact the County for the first time. If new attestation standards are issued subsequent to the date of this letter and are effective for the period under examination, we will estimate the impact of any such standard on the nature, timing and extent of our planned examination procedures and will communicate with you concerning the scope of the additional procedures and the estimated fees.

The County agrees to pay all costs of collection (including reasonable attorneys' fees) that the Firm may incur in connection with the collection of unpaid invoices. In the event of nonpayment of any invoice rendered by us, we retain the right to (a) suspend the performance of our services, (b) change the payment conditions under this engagement letter, or (c) terminate our services. If we elect to suspend our services, such services will not be resumed until your account is paid. If we elect to terminate our services for nonpayment, the County will be obligated to compensate us for all time expended and reimburse us for all expenses through the date of termination.

This engagement letter sets forth the entire understanding between the County and the Firm regarding the services described herein and supersedes any previous proposals, correspondence, and understandings whether written or oral. Any subsequent changes to the terms of this letter, other than additional billings, will be rendered in writing and shall be executed by both parties. Should any portion of this engagement letter be ruled invalid, it is agreed that such invalidity will not affect any of the remaining portions.

September 19, 2014

The Board of County Commissions
Forsyth County, North Carolina
201 N. Chestnut Street
Winston-Salem, NC 27101

Ladies and Gentlemen:

This letter of arrangement between Forsyth County, North Carolina (the "County") and Cherry Bekaert LLP (the "Firm" or "Cherry Bekaert") sets forth the nature and scope of the services we will provide, the County's required involvement and assistance in support of our services, the related fee arrangements and other terms and conditions designed to assure that our professional services are performed to achieve the mutually agreed upon objectives of the County.

SUMMARY OF SERVICES

We will apply the agreed-upon procedures which the Office of the State Auditor for the State of North Carolina ("State Auditor") has specified, listed in the attached *Letter of Instruction to Component Auditors Testing the Eligibility Intake Functions for Certain Federal Programs at County Governments and Health Districts* dated June 16, 2014 ("*Letter of Instruction*") of the County as of and for the year ended June 30, 2014 (prepared in accordance with the *government programs and grants received*). This engagement is solely to assist the State Auditor in the procedures outlined in the *Letter of Instruction*. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, we will not express an opinion on eligibility compliance or any other matter related to these procedures. In addition, we have no obligation to perform any procedures beyond those listed in the attached *Letter of Instruction*.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the use of the County and the State Auditor, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

You are responsible for the eligibility determinations and related internal controls in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, and/or experience to oversee the agreed-upon procedures we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

YOUR EXPECTATIONS

Our services plan is designed to provide a foundation for an effective, efficient, and quality-focused approach to accomplish the engagement objectives and meet, and/or exceed, your expectations. Our service plan will be reviewed with you periodically and will serve as a benchmark against which you will be able to measure our performance.

Any additional services that you may request, and that we agree to provide, will be the subject of separate written arrangements.

The engagement will be led by Eddie Burke, who will be responsible for assuring the overall quality, value, and timeliness of our services to you.

At the conclusion of the engagement, the County's management will provide to us a representation letter that, among other things, (1) addresses management's responsibilities related to the engagement and confirms certain representations made during the engagement, including management's acknowledgement of its responsibility for the selection and eligibility determinations and related internal controls in accordance with the government programs and grants received; (2) management's knowledge of fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and (3) management's knowledge of any allegations of fraud or suspected fraud affecting the entity, received in communications from employees or others. Cherry Bekaert LLP will rely on the County's management providing these representations to us, both in the planning and performance of the engagement, and in considering the fees that we will charge to perform the engagement.

OTHER MATTERS

Access to working papers

The working papers for the engagement are the property of Cherry Bekaert LLP and constitute confidential information. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties. Any parties seeking access to our working papers must agree to sign our standard access letter.

Our Firm, as well as all other major accounting firms, participates in a "peer review" program, covering our audit and accounting practices. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

In addition, our firm is also subject to a similar, periodic review of our quality control system by a peer review firm, the US Department of Justice (the County's cognizant agency) or other federal or state agency providing funding to the County. It is possible that the work we perform for you may be selected by one of those parties during their review.

Electronic transmittals

During the course of our engagement, we may need to electronically transmit confidential information to each other, within the Firm, and to other entities engaged by either party. Although email is an efficient way to communicate, it is not always a secure means of communication and thus, confidentiality may be compromised. You agree to the use of email

and other electronic methods to transmit and receive information, including confidential information between the Firm, the County and other third party providers utilized by either party in connection with the engagement.

Subpoenas

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request at standard billing rates.

Dispute resolution procedures

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation would be conducted by a mediator appointed by and pursuant to the rules of the American Arbitration Association (AAA) or such other neutral facilitator acceptable to both parties. Both parties would exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute, controversy, or claim.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the AAA. Any award rendered by the Arbitrator pursuant to this Agreement may be filed and entered and shall be enforceable in the Superior Court of the County in which the arbitration proceeds. In agreeing to arbitration, we both acknowledge that, in event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

TERMS AND CONDITIONS SUPPORTING FEE

As a result of our preliminary discussions, the County and Cherry Bekaert LLP have agreed to a fee, subject to the following conditions.

The estimated fees set forth below are based on anticipated full cooperation from your personnel, timely delivery of requested schedules and supporting information, timely communication of all significant accounting and financial reporting matters, the assumption that unexpected circumstances will not be encountered during the engagement, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. Our estimated fee does not include assistance in bookkeeping or other accounting services not previously described. If for any reason the County is unable to provide such schedules, information and assistance, Cherry Bekaert LLP and the County will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives.

In providing our services, we will consult with the County with respect to matters of accounting, financial reporting or other significant business issues as permitted by professional standards. Accordingly, time necessary to effect a reasonable amount of such consultation is reflected in our fee. However, should a matter require research, consultation

or additional work beyond that amount, the Firm and the County will agree to an appropriate revision in our fee.

The estimated fees set forth below are based on professional standards effective as of the date of this engagement letter, but do not include any time related to the application of new professional or accounting standards that impact the County for the first time. If new professional or accounting standards are issued subsequent to the date of this letter and are effective for the period of this engagement, we will estimate the impact of any such standard on the nature, timing and extent of our planned procedures and will communicate with you concerning the scope of the additional procedures and the estimated fees.

You agree to pay all costs of collection (including reasonable attorneys' fees) that we may incur in connection with the collection of unpaid invoices. We reserve the right to stop work on any account that is more than 30 days past due.

FEES

The following summarizes our fees for the services described above:

<u>Description of Services</u>	<u>Estimated Fee</u>
Agreed upon procedures	<u>\$2,000</u>

Our fees will be billed periodically. Invoices are due on presentation. A service charge will be added to past due accounts equal to 1-1/2% per month (18% annually) on the previous month's balance less payments received during the month, with a minimum charge of \$2.00 per month.

If the foregoing is in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us. If you have any questions, please call Eddie Burke at 919-782-1040.

Sincerely,

CHERRY BEKAERT LLP

Cherry Bekaert LLP

Forsyth County, North Carolina

ACCEPTED BY: _____

TITLE: _____ DATE: _____