



AUDIT CONTRACT

Options to Proceed:

1. Motion to approve the audit contract with Darrell L. Keller, CPA, PA
OR
2. Motion to approve the audit contract with Misty Watson, CPA

Staff recommends 1.

SUMMARY

[NCGS 159-34](#) mandates that each unit of local government have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Local Government Commission.

Staff sent out an RFP on May 10, 2023 to 5 firms and out to several listservs. We received a contract from Darrell Keller and Associates (our current audit firm), one from Misty Watson, CPA, and one other response that said they would not have the staff to respond.

Many communities, especially those 10,000 population and under, have had difficulty finding firms to conduct their annual audits. With our relationship with DLK and their willingness to still conduct our audit, especially at the same price they have charged for the last 5 years, staff recommends approval to proceed with DLK for our audit. Below is an assessment of the proposals from our Finance Director, Mrs. Rhonda Allen, CPA.

Auditor Firm Comparison

	<u>Darrell L. Keller, CPA, PA</u>	<u>Misty D. Watson, CPA, PA</u>
Years experience	35	25
# government audits in 2022	14	5
# CPAs on staff	2	1
# accountants on staff	2-3	1
# days on site	4-6	2
Proposed cost	\$10,500	\$10,200
Proximity to Town Hall	20 miles	84 miles

Historically, it has been a general practice to switch auditing firms every few years. Auditor independence is a major reason for this recommendation. Auditors have been under much stricter standards in recent years, so independence is less of a factor than in previous years.



Getting a fresh perspective is another reason to consider changing auditors. For this, staff reviews the level of experience and staffing of the audit firm. An abbreviated site visit with fewer auditors does not seem to be sufficient time to provide any new insight. Additionally, changing audit firms may result in a lesser-quality audit. There is a learning curve with any new audit and with fewer staff and smaller time commitment, staff has concerns about the audit being completed within standards. This seems even more likely with stricter policies from the [Local Government Commission](#) around the completion and presentation of final audit reports.

It is important to note, as specified in Section 2 of the RFP, that the cost for the audit year ending June 30, 2023, is binding; however, the second and third-year quotes are estimated costs. It is possible that those fees will go up significantly after this year.

Darrell L. Keller, CPA, PA has always provided excellent service. They are professional, knowledgeable, and prompt with answers to questions anyone from the Town has had. They are fairly close to the Town Hall so it is convenient for the staff to come to our office or meetings when needed. They do not skip audit tests to complete the audit by a certain time. They are familiar with our workpapers, processes, and need no time to familiarize themselves with our policies and procedures. Ms. Watson may be able to provide an easier audit for the Finance Director (i.e. less review, less time in the office, etc.), but the Town gets what it pays for from Mr. Keller. It is my recommendation to approve the 2022-2023 audit contract from Darrell L. Keller, CPA, PA.

Rhonda W. Allen, CPA

MATERIALS PROVIDED

- Copy of the RFP
- Proposals from both firms