

Board of Education

ACTION

TITLE: Approve Selection of Auditor

DATE: April 5, 2018

RESPONSIBLE ADMINISTRATOR: Charles Warren
Chief Financial Officer

BACKGROUND/CONSIDERATIONS:

The District requested proposals (RFP) from auditors for the three fiscal years ending June 30, 2018, June 30, 2019 and June 30, 2020. The proposals were due March 12, 2018 with two fee structures requested.

The first type of audit requested is called a “GAAP/GASB audit”. The auditor is required to adjust the internal financial reports for GAAP/GAAS regulations (i.e. net pension liability). For the last three years, the District has paid \$27,000 each year for a GAAP/GASB audit from Przybysz & Associates, CPAs.

The second type of audit requested is called a “regulatory audit”. This audit has no GAAP/GASB accruals or adjustments. The financial reports mirror the internal financial statements prepared by the District. Many school districts in Arkansas that engage with independent auditors have regulatory audit reports prepared.

The District requested proposals for both types of audits to evaluate the cost-benefit of continuing to engage auditors to prepare a GAAP/GASB audit.

The cost of the GAAP/GASB audit is higher and the benefit is that the audit report is considered “unmodified”. However, the GAAP/GASB net pension liability accrual has made the report less meaningful to the user.

The cost of the regulatory audit is lower and the benefit is that the audit report reflects internal financial statements, providing more transparency. However, because the regulatory audit does not include GAAP/GASB accruals made by the auditor, the regulatory audit will include a paragraph titled “Adverse Opinion on US Generally Accepted Accounting Principles”.

The fees proposed for each type of audit by the four CPA firms that submitted proposals are summarized separately. The District selection committee reviewed and scored the proposals as outlined in the RFP. Przybysz & Associates, CPAs held the best score for both types of audits, as well as providing the lowest fees for the regulatory audit.

RECOMMENDATION:

The administration recommends the board accept the three year proposal from Przybysz & Associates, CPAs to prepare regulatory audits for the District.

If the Board agrees, the motion would read: ***move to accept the audit proposal from Przybysz & Associates, CPAs on the regulatory basis for the fiscal years ending June 30, 2018, June 30, 2019 and June 30, 2020.***