



Committee: Audit Committee
Committee Review: Completed
Staff: Blaise DeFazio, Senior Legislative Analyst, OLO
Purpose: To introduce agenda item – no vote expected
Keywords: #Audit Contract

AGENDA ITEM #5C
March 15, 2022
Introduction

SUBJECT

Resolution to renew Council Contract for Audit Services

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

None

DESCRIPTION/ISSUE

The Audit Committee recommends Council approval of the attached resolution that authorizes the Council President to renew the contract with SB & Company for audit services.

SUMMARY OF KEY DISCUSSION POINTS

Council action is tentatively scheduled on March 22, 2022.

This report contains:

Resolution Summary	Page 1
Proposed Resolution	Pages 2-3
Contract Amendment #1 with SB & Company	Pages 4-8

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MEMORANDUM

March 10, 2022

TO: County Council

FROM: Blaise DeFazio, Senior Legislative Analyst
Office of Legislative Oversight

SUBJECT: Summary – Council Resolution to Renew Contract for Audit Services

The County Charter and County Code require the Council to contract with a certified public accounting firm to conduct annual audits of the County Government, the Employee Retirement Plans, the Consolidated Retiree Health Benefits Trust, and the Montgomery County Union Employees Deferred Compensation Plan.

On March 10, 2022, the Audit Committee reviewed a draft contract amendment to renew audit services. The contract with SB & Company requires the firm to complete work for the fiscal year ending June 30, 2022 and the calendar year ending December 31, 2022, including the:

- Audit of the County Government Basic Financial Statements,
- Single Audit or Audit of Expenditures of Federal Awards,
- Agreed-Upon Procedures for the National Transit Database Report,
- Agreed-Upon Procedures for the Chief Financial Officer's Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities,
- 9-1-1 System Audit,
- Employee Retirement Plans Basic Financial Statements Audit,
- Retiree Health Benefits Trust Financial Statements Audit, and
- Montgomery County Union Employees Deferred Compensation Plan Financial Statements Audit.

This contract amendment will increase SB & Company's annual fees by \$16,191 or 6.0% to \$286,041. This amendment will cover the third year of a four-year contract.

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Audit Committee

SUBJECT: Renewal of Council Contract for Audit Services

Background

1. Section 315 of the Montgomery County Charter states that: “The Council shall contract with, or otherwise employ, a certified public accountant to make annually an independent post audit of all financial records and actions of the County, its officials and employees.”

The Montgomery County Code (Section 33-51(c)) indicates that: “An independent audit of the retirement system will be completed annually by the firm of certified public accountants under contract with the Council.”

The Montgomery County Code (Section 21-24(d)) states that: “Financial transactions involving County fire tax funds must be included in the annual audit required by the Charter.”

2. Council Resolution No. 16-326, adopted October 2, 2007, established Council procedures for the selection of the independent auditor. The procedures direct the Council’s Management and Fiscal Policy Committee to perform the functions of the Contractor Qualification and Selection Committee, including reviewing and evaluating proposals and recommending independent auditors to the County Council.
3. Council Resolution No. 16-826, adopted January 27, 2009, established a Council Audit Committee consisting of the members of the Management and Fiscal Policy Committee (currently known as the Government Operations and Fiscal Policy Committee) and the Council President and Council Vice President as ex officio members. The Audit Committee is charged with providing oversight of, among other things, County audit activities and fulfills the functions of the Management and Fiscal Policy Committee established in Council Resolution No. 16-326.
4. The procedures in Council Resolution No. 16-326 indicate that the final selection of the independent auditor will be made by the County Council.

5. The Audit Committee unanimously recommends that the Council renew the contract with the firm of SB & Company LLC to conduct the audit of the County Government financial statements for the fiscal year ending June 30, 2022; the audit of the Montgomery County Employee Retirement Plans financial statements for the fiscal year ending June 30, 2022; the audit of the Montgomery County Consolidated Retiree Health Benefits Trust for the fiscal year ending June 30, 2022; the audit of the Montgomery County Union Employees Deferred Compensation Plan financial statements for the calendar year ending December 31, 2022; and other tests, reviews and certifications. The Council may renew the contract with SB & Company LLC to complete the audits for the fiscal year ending June 30, 2023 and the calendar year ending December 31, 2023.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

The County Council for Montgomery County, Maryland authorizes the Council President to renew the contract with SB & Company LLC to conduct the audit of the County Government financial statements for the fiscal year ending June 30, 2022; the audit of the Montgomery County Employee Retirement Plans financial statements for the fiscal year ending June 30, 2022; the audit of the Montgomery County Consolidated Retiree Health Benefits Trust for the fiscal year ending June 30, 2022; the audit of the Montgomery County Union Employees Deferred Compensation Plan financial statements for the calendar year ending December 31, 2022; and other tests, reviews and certifications.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council

CONTRACT AMENDMENT #2
CONTRACT NUMBER 184472915

This Amendment is entered into between MONTGOMERY COUNTY, MARYLAND, on behalf of the County Council for Montgomery County, Maryland (“Council”), and SB & Company, LLC, 10200 Grand Central Avenue, Suite 250, Owings Mills, MD 21117 (“Contractor”).

BACKGROUND

1. The Council and the Contractor entered into Contract No. 184472915 on April 14, 2020. The current contract expires on July 13, 2022.
2. The purpose of this Contract is to provide for auditing services as required by Section 315 of the Montgomery County Charter.
3. The Contractor’s services are needed to conduct the Fiscal Year 2022 audit. This Contract Amendment renews the contract for the second of the three (3) one-year renewal periods allowed under the Contract.
4. Under this Contract, Article V. “Payments”, Paragraph D. Payments in Subsequent Years., the Contractor may request a price adjustment based on the CPI for all urban consumers issued for the Washington-Baltimore, DC-MD-VA-WV Metropolitan area by the United States Department of Labor, Bureau of Labor Statistics. The Auditor did not request a price adjustment for conducting the Fiscal Year 2022 audit.

CHANGE

1. A price adjustment, as expressly permitted under the terms of the contract, is allowed as follows: Effective on the date of signature by the President of the County Council for Montgomery County, Maryland, all contract prices are increased by 6.0% in accordance with Section D, Payment in Subsequent Years of Article V, Payments, and the Consumer Price Index for the Washington Metropolitan Area for the previous 12-month period. The fixed fee prices set forth in Paragraphs 2 through 8 of this Amendment reflect the price adjustment. In addition, the hourly rates set forth in Section B, Payments for Article I. “Scope of Work”, Paragraph B, Subparagraph 8, Optional Work are adjusted as follows:

Staff Level	Prior Fixed Hourly Rate	Adjusted Fixed Hourly Rate
Partner	\$180	\$191
Manager	\$130	\$138
Senior	\$115	\$122
Staff Auditor	\$80	\$85

The County will pay the Contractor a fixed fee not to exceed \$1,060 for each letter consenting to the use of the Contractor’s report on the County’s Fiscal Year 2022 financial statements.

The County will pay the Contractor a fixed fee not to exceed \$5,300 for each comfort letter related to the County’s Fiscal Year 2022 financial statements.

2. Article V. "Payments", Paragraph A., Subparagraph 1. Payment for Subparagraph 1 (County Government Basic Financial Statements):

- Basic Financial Statements Audit
- Single Audit
- Maryland State Uniform Financial Report
- Management Letter
- Report on Internal Controls Over Financial Reporting and Compliance
- Assistance with GFOA Certificate of Achievement for Excellence in Financial Reporting
- Fiscal Year Closing

is amended by adding the following:

- b.** The County will pay the Contractor a fixed fee not to exceed \$200,446 for Fiscal Year 2022 audit services performed under this portion of the Contract. The Council will pay the Contractor on a monthly basis for work completed during the month, on the condition that the Contract Administrator determines, in his or her sole discretion, that the Contractor is making satisfactory progress toward completing all auditing services. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

3. Article V. "Payments", Paragraph A., Subparagraph 2. Payment for Subparagraph 2 (Employee Retirement Plans' Financial Statements):

- Basic Financial Statements Audit
- Opinion Over Schedules Allocating Net Pension Liability Among Participating Employers
- Management Letter
- Report on Internal Controls Over Financial Reporting and Compliance
- Assistance with GFOA Certificate of Achievement for Excellence in Financial Reporting

is amended by adding the following:

- b.** The County will pay the Contractor a fixed fee not to exceed \$34,153 for Fiscal Year 2022 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed, on the condition that the Board of Investment Trustees' designee determines that the Contractor is making satisfactory progress toward completing all auditing services. The Employees' Retirement System, the Retirement Savings Plan, and the County's General Fund (on behalf of the Deferred Compensation Plan) will be the source of funds. The Board of Investment Trustees' designee is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

4. Article V. "Payments", Paragraph A., Subparagraph 3. Payment for Subparagraph 3 (Montgomery County Consolidated Retiree Health Benefits Trust):

- Trust Audit
- Opinion Over Schedules Allocating Net OPEB Liability Among Participating Employers

- Management Letter
- Report on Internal Controls Over Financial Reporting and Compliance

is amended by adding the following:

- b.** The County will pay the Contractor a fixed fee not to exceed \$23,829 for Fiscal Year 2022 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed, on the condition that the Board of Investment Trustees' designee determines that the Contractor is making satisfactory progress toward completing all auditing services. The Consolidated Retiree Health Benefits Trust will be the source of funds. The Board of Investment Trustees' designee is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

- 5. Article V. "Payments", Paragraph A., Subparagraph 4. Payment for Subparagraph 4 (Montgomery County Union Employees Deferred Compensation Plan Basic Financial Statements):

- Basic Financial Statements Audit
- Management Letter
- Report on Internal Controls Over Financial Reporting and Compliance

is amended by adding the following:

- b.** The County will pay the Contractor a fixed fee not to exceed \$14,458 for Fiscal Year 2022 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed, on the condition that the Contract Administrator determines, in his or her sole discretion, that the Contractor is making satisfactory progress toward completing all auditing services. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

- 6. Article V. "Payments", Paragraph A., Subparagraph 5. Payment for Subparagraph 5 (Agreed-Upon Procedures for the Chief Financial Officer's Annual Certification of Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities) is amended by adding the following:

- b.** The County will pay the Contractor a fixed fee not to exceed \$2,099 for Fiscal Year 2022 audit services performed under this portion of the Contract. The County will pay the Contractor after the Council accepts the deliverables described in Article II. "Deliverables", Paragraph A., Subparagraph 5. The Solid Waste Disposal Fund will be the source of funds. The Department of Environmental Protection is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

- 7. Article V. "Payments", Paragraph A., Subparagraph 6. Payments for Subparagraph 6 (Agreed-Upon Procedures for the National Transit Database Report) is amended by adding the following:

- b.** The County will pay the Contractor a fixed fee not to exceed \$7,208 for Fiscal Year 2022 audit services performed under this portion of the Contract. The County will pay the Contractor in two equal installments, with the first installment paid upon completion of the Contractor’s field work, and the second installment paid after the Council accepts the deliverables described in Article II. “Deliverables”, Paragraph A., Subparagraph 7. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

- 8. Article V. “Payments”, Paragraph A., Subparagraph 7. Payments for Subparagraph 7 (9-1-1 System Audit) is amended by adding the following:
 - b.** The State of Maryland will pay the Contractor a fixed fee not to exceed \$3,848 for Fiscal Year 2022 audit services performed under this portion of the Contract. The State will pay the Contractor upon the Emergency Number Systems Board’s acceptance of the deliverables described in Article II. “Deliverables”, Paragraph B., Subparagraph 8. Emergency Number Systems Board funds will be the source of funds. The Emergency Number Systems Board is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

- 9. This Contract is renewed for an additional term of one year from July 14, 2022 through July 13, 2023.

EFFECT

- 1. Existing Contract terms remain in effect unless specifically changed by this Amendment.
- 2. This Amendment is entered into prior to the expiration of the Contract.
- 3. This Amendment is entered into on the date of signature by the President of the County Council for Montgomery County, Maryland.
- 4. No goods or services are to be provided pursuant to this Amendment until it is signed by the President of the County Council for Montgomery County, Maryland.

(Signature Page Follows)

WITNESS

SB & Company, LLC

BY: _____
Graylin E. Smith, Managing Partner
SB & Company, LLC

DATE _____

Montgomery County, Maryland

BY: _____
Gabe Albornoz, President
Montgomery County Council

DATE _____

Approved to as to form and legality:

BY: _____
Walter Wilson
Associate County Attorney

DATE _____