


**TOWN OF OCEAN VIEW**  
**DELAWARE**

November 1, 2021

TO: Mayor and Council

FROM: Carol S. Houck, Town Manager 

SUBJECT: Recommendation to Extend External Auditor Contract for Three Additional Years  
Covering Periods Ending April 30, 2022, 2023, and 2024

**Background**

In September 2018, PKS & Company, P.A. was awarded a three-year contract extension to complete our external year end audits for the periods of April 30, 2019, 2020 and 2021. Our recent Unmodified Opinion was presented at the September meeting of Mayor and Council. PKS has now expressed interest in extending its engagement with the Town to provide auditing services for the three-year periods ending April 30, 2022, 2023 and 2024.

Attached you will find a proposal from PKS informing us of their costs associated with the extension of their contract for 3 additional years. This extension if approved would be the 2<sup>nd</sup> such extension to their original award for audit services and result in their serving as the Town's independent external auditor for a total of 9 years.

*Ocean View Code Chapter 40, Section 40-2 Professional Services states "The award of contracts involving professional services, such as accounting, architecture, auditing, engineering, law, planning and surveying, shall be excluded from the requirements set forth above," (referencing Section 40-1 for the purchase of material and nonprofessional services) "except that the Town Manager shall advertise the intention to negotiate such contracts of greater than \$7,500 for professional services in accordance with Section 40-1A(1)."*

As such, the original contract was awarded to PKS in 2016 following advertisement. We have confirmed with Town Solicitor Schrader that there is nothing in the Town Charter or Code that prohibits extending a professional services agreement. In fact, it is customary to maintain auditors and other such professional service providers for longer periods of time with the goal of improving oversight, institutional awareness and avoidance of the added burden associated with onboarding a new firm in relationship to our financial systems and policies.

**Proposed Fee's**

<u>Fiscal Year Ending</u>	<u>Proposed Fee</u>
Year Ending April 30, 2022	\$21,500

Year Ending April 30, 2023	\$23,000
Year Ending April 30, 2024	\$23,000

The fee for the most recent audit performance of PKS was \$21,000.

#### **Recommendation**

After consideration of the performance and level of responsiveness from PKS during our tenure, Finance Director Parks and I believe it is in the best interest of the Town to maintain this firm at this time. Emerging efforts related to the American Rescue Plan Act and new reporting rules will already place new demands on the audit and staff workload.

It is therefore recommended that Mayor and Council authorize the Town Manager to extend for a 2<sup>nd</sup> three year term, our contract for external audit services to PKS & Company at the above noted fees which will be included in each fiscal year's budget submission.



**PKS** & Company, P.A.

**Certified Public Accountants  
& Advisors to Business**

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CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

October 6, 2021

To Mayor and Town Council  
Town of Ocean View, Delaware  
201 Central Ave.  
Ocean View, DE 19970

Our contract as external auditors for the Town of Ocean View, Delaware (the Town) will end with the completion of the fiscal year April 30, 2021 audit. Our firm is interested in extending our engagement to provide auditing services for the Town for the three-year periods ending April 30, 2022, 2023, and 2024.

We hope this proposal demonstrates a sincere interest in and, more importantly, our capability to continue to serve the Town as your independent auditors. We believe an extension of the audit contact would be beneficial to the Town for the following reasons:

- ☐ PKS has and will continue to provide consistent personnel from year to year. Because of our audit team experience, it will not be necessary to train our people on your time.
- ☐ Continuity of staff is a key to a quality audit and is one of the items you should look at in incumbent auditors.
- ☐ Changes in auditors require significant additional time by Town personnel in completing the audit, and can be costly and have an impact on audit quality. The Town has limited finance and accounting staff and does not have the luxury of staff time to train new auditors.
- ☐ Partner and manager involvement in the audit has remained both extensive and consistent.
- ☐ We have invested in the Town's staff through our firm's continuing professional education courses.
- ☐ Over the years, PKS has been highly responsive to the Town's requests.



- ☐ We understand the Town's complex financial systems, operations, policies and procedures, which allows us to perform the audit efficiently.
- ☐ PKS has continually met all audit deadlines.
- ☐ Our highly skilled engagement team members are here to help - and we are confident that our expertise will continue to benefit the Town.
- ☐ The Town's code does not require professional services such as auditing firms to be rebid each contract term.

Most of all, we have professionally and diligently serviced the needs of Town for the last six years. As a local firm, we have been able to service the Town's needs in a timely and efficient manner. In addition, our firm's location and size allows for our ability to fulfill the Town's desires and to provide continuity of experience for a continued reduction of the burden for the Town's staff.

We value the Town of Ocean View, Delaware as prestigious clients and assure you that the work entrusted to us will continue to receive the highest degree of attention and personal service.

Following is our proposal of fees for the financial statement audits for the Town of Ocean View, Delaware for the fiscal years ending:

<b><u>Fiscal Year Ending</u></b>	<b><u>Proposed Fee</u></b>
Year Ending 04/30/22	\$ 21,500
Year Ending 04/30/23	\$ 23,000
Year Ending 04/30/24	\$ 23,000

In arriving at the above price, we took into consideration the current Consumer Price Index inflation rates, and upcoming implementations of new GASB Standards, including GASB 87, Leases.

The documentation of the audit scope procedures would continue as outlined in our previous contract dated May 1, 2021. Our proposed fees above include all out-of-pocket expenses.

After you have reviewed this letter and the information contained herein, if this letter correctly sets forth the understanding of the Town for our firm to continue to provide audit services for the three- year period as noted, please sign and return one copy of the letter for our files.

Also, attached is a copy of our current peer review report. Should you have any questions, please call me. We would be happy to meet with you to discuss our proposal further. We look forward to continuing our mutually rewarding and long-lasting relationship with the Town of Ocean View, Delaware.

*PKS & Company, P.A.*  
CERTIFIED PUBLIC ACCOUNTANTS

**RESPONSE:**

This letter correctly sets forth the understanding of Town of Ocean View, Delaware with reference to audit services for the years ending April 30, 2022, 2023, and 2024.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Governance signature: \_\_\_\_\_

Title: \_\_\_\_\_