

BOARD OF ALDERMEN

ITEM NO. B(2)

AGENDA ITEM ABSTRACT

MEETING DATE: February 3, 2004

TITLE: Award of Contract to Perform Sales Tax Reallocation Audit

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A. Resolution Authorizing Manager to Execute Sales Tax Audit Contract	FOR INFORMATION CONTACT: L. Bingham Roenigk, Assistant Town Manager, 918-7300

PURPOSE: The Board of Aldermen is requested to authorize the Town Manager to execute a contractual arrangement with an accounting firm (Robert S. Segal, CPA) to audit the University's sales tax reports with the interest of netting additional sales tax revenue for the Town.

INFORMATION: The Board, in FY2001-02 approved a similar contract, whereby the Robert S. Segal Accounting Firm reviewed sales tax reporting records at the University of North Carolina and at each of the participating local jurisdictions (Chapel Hill, Orange County, Hillsborough, and Carrboro) to ascertain whether refunds reported need to be reallocated. The previous audit covered a three year period and netted Orange County over \$1,300,000. Carrboro shared in that windfall, netting \$80,000.

The Robert S. Segal Accounting Firm notes that they have at least two full years that could be reviewed. The contract proposed by Mr. Segal is the same as the old agreement used in FY2001-02. The contract suggests a tiered fee approach that charges 25% cost for the first \$200,000 of additional refunds obtained; 30% for the next \$200,000 of additional refunds obtained, and 35% for all additional refunds obtained.

In accordance with Town Code requirements, the Manager must seek Board approval to enter into contractual agreements that commit the Town to purchase goods and services when the Board of Aldermen the Board of Aldermen has not previously authorized the acquisition of such goods or services and the amount of the contract may exceed \$5,000. Given that the previous sales tax audit cost approximately \$40,000 for \$120,000 in additional revenues recovered, it is safe to assume that the contract will exceed \$5,000.

FISCAL IMPACT: The Town will not incur expenses unless revenues are recognized. The expenses shall be offset by the revenues generated.

ADMINISTRATION'S RECOMMENDATION Approve a resolution authorizing the Town Manager to execute a contract with Robert S. Segal, CPA to perform a sales tax reallocation audit.