



# City of Pensacola

## Auditor Selection Committee

### Agenda

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Monday, April 23, 2018, 4:30 PM

Hagler-Mason Conference Room,  
2nd Floor

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#### ROLL CALL

#### APPROVAL OF MINUTES

[18-00186](#) MEETING MINUTES OF THE AUDITOR SELECTION COMMITTEE OF  
FEBRUARY 27, 2018

**Attachments:** [Minutes.Audit Committee.02.27.2018](#)

#### ACTION ITEMS

[18-00187](#) REVIEW RFP RESPONSES FROM RFP 18-010 FOR PROFESSIONAL  
AUDITING SERVICES, INDIVIDUALLY RANK AND MAKE  
RECOMMENDATION TO THE CITY COUNCIL BASED ON THE  
RANKING

**Recommendation:** That the Auditor Selection Committee review the responses from RFP 18-010 for  
Professional Auditing Services, individually rank the responses and make a  
recommendation to City Council based on those rankings.

**Sponsors:** Gerald Wingate

#### DISCUSSION ITEMS

#### ADJOURNMENT

*If any person decides to appeal any decision made with respect to any matter considered at such meeting, he will need a record of the proceedings, and that for such purpose he may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.*

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# City of Pensacola

222 West Main Street  
Pensacola, FL 32502

## Memorandum

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**File #:** 18-00186

Auditor Selection Committee

4/23/2018

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**SUBJECT:**

Meeting Minutes of the Auditor Selection Committee of February 27, 2018

n/a

February 27, 2018

A meeting of the Pensacola City Council Auditor Selection Committee was held on Tuesday, February 27, 2018 commencing at 5:40 p.m. with Council President Gerald Wingate presiding. Other committee members present were Council Members Jewel Cannada-Wynn, Brian Spencer, and Andy Terhaar. Council Members Larry B. Johnson, Sherri Myers and P. C. Wu were absent.

Staff Present: Chief Financial Officer Dick Barker, Business Process Review Manager Mandy Bills, Accounting Services Manager Laura Picklap, Purchasing Manager George Maiberger, Assistant Purchasing Manager Hosea Goodwyn, Council Executive Don Kraher, Council Strategic Budget Planner Butch Hansen.

The meeting was called to order by Council President Wingate. He recognized Business Process Review Manager Mandy Bills to give a presentation.

Business Process Review Manager Mandy Bills reviewed the draft Request for Proposals for Professional Auditing Services. The City's contract with Mauldin Jenkins expires at the conclusion of the FY 2017 audit next month when they make their presentation to City Council. There are no renewal provisions in the Mauldin Jenkins contract so Florida State Statutes will govern the process. The Statute states that the governing body shall establish the Auditing Committee and the primary purpose of the Audit Committee is to assist the governing body in selecting an auditor to conduct the annual financial statement audit. In accordance with best practices, and as recommended by the Government Finance Officers' Association (GFOA) and Auditor Selection Task Force which established the Auditor Selection Guidelines for Florida, the City Council established themselves as the Auditor Selection Committee in December, 2017.

The function of the Auditor Selection Committee is also contained in Florida State Statutes and states that the Audit Committee shall establish factors to use for evaluation to include:

- 1) Ability of Personnel
- 2) Expertise
- 3) Ability to furnish the required services
- 4) And other factors that may be determined by the Audit Committee

These factors are included in the draft RFP and are in the evaluation criteria. Once the RFP is finalized, it will be publicly announced and interested firms will be provided a copy of the RFP. This is accomplished by placing ads in the local newspapers and posting the RFP on the City's website as well as other web based notification services. In addition to this, the Purchasing Office also emails all accounting firms that are in the City's vendor list, letting them know the RFP is available.

The Auditor Selection Committee will reconvene to evaluate the proposals once they are received. The last step in the process is for the Auditor Selection Committee to rank and

## MINUTES OF THE AUDITOR SELECTION COMMITTEE

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recommend in order of preference no fewer than three firms deemed to be qualified to the City Council and then the City Council will act on that.

It is important to remember that once the RFP is issued, which if the Auditor Selection Committee approves today, the Purchasing Office is prepared to issue the RFP on Friday, March 2, no communication can occur between the Auditor Selection Committee and/or City Council and any firm that is going to respond to the RFP. This communication is prohibited by Ordinance.

In drafting the RFP, the 2013 RFP was used as a starting point. Since the 2013 RFP was issued, GFOA has not issued any further guidance, audit requirements are pretty much the same. Financial Services staff updated the RFP. Generally, the updates were minimal basically dates, timelines as needed, the functions of City departments. Some of the more important updates include: The City's general conditions, which is something that is standard in all RFP's that are issued; that was replaced by what is currently being used and some of the pronouncements and references to auditor guidance were also updated.

In the draft RFP being considered today, one of the changes was that the pre proposal conference was eliminated. Also, two additional audit reports that are required by State Statutes were also added. One of them has to do with investment of public funds and also a report on money received directly from BP. The auditor is required to issue those two reports by State Statute. Also added were specific audit procedures of the CRA, which are also required by State Statute. CMPA as a component unit was eliminated, since they were dissolved as a unit in May of 2017.

The RFP states that the term of the agreement will be five years, which is the same as what the 2013 RFP stated. GFOA best practices recommend a multi-year agreement of at least five years. The Auditor Selection Committee can include renewal options, if desired, but five years seems to be used throughout the state.

A change from the 2013 RFP and also a change from the RFP that was distributed the other day is the fact that the ability of the Auditor Selection Committee to request oral presentations from firms was removed. The reason this was done was last time it was included as an option for the Auditor Selection Committee to request oral presentations; none were requested. The way it was worded in the RFP was such that the oral presentation was a time for the Auditor Selection Committee to ask questions of the respondents, if they had any specific questions. Since it was arbitrary, the City Attorney recommended removing the provision for the oral presentations.

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City Council Member Cannada-Wynn inquired if the Auditor Selection Committee has a question concerning one of the proposals, how would that be handled.

Business Process Review Manager Mandy Bills stated that the question should be forwarded to the Council Executive, who would then forward to the Purchasing Office and the Purchasing Office would get the question answered.

In the Evaluation Criteria of the RFP, two new programs that were adopted by the City were included in the evaluation criteria, the MWSBE participation and also the VBE participation. The firm either receives points for being a participant in those programs or they don't receive any points. The required forms that need to be completed were added in the RFP.

Lastly is the review of the proposals. If the Auditor Selection Committee approves the RFP today, the Purchasing Office is set to issue the RFP on Friday, March 2. Once the responses are received, which will be about a month or little more to respond, they will be distributed to the Auditor Selection Committee to review. At that point, the Auditor Selection Committee would reconvene, discuss the proposals, and complete the evaluation forms. Once the Auditor Selection Committee members have evaluated the responses, the Sealed Cost Proposals, which is one aspect that is required in the RFP where the cost of the audit for the five year term is in a sealed envelope, will not be opened until a date when the Auditor Selection Committee reconvenes. That is exactly how it was done in 2013. On a board, the dollar amounts will be written down with no firm associated with it, just highest to lowest. Based on a proportional nature, the Auditor Selection Committee as a group will determine how many points to give each cost proposal, with the lowest more than likely receiving the most points and the highest receiving the less points.

Council Member Cannada-Wynn asked how much the City paid for the last audit.

Business Process Review Manager Mandy Bills indicated that it varied from the first year of \$93,900 to \$101,600 the last year, for a total of about \$450,000.

Cost is a factor in the evaluation. Once that component is added to the score, then the firms will be ranked and forwarded to City Council for consideration. City Council then selects the highest ranked firm as recommended by the Auditor Selection Committee, or they have to document in the public record the reason for not choosing the highest ranked firm and going with someone else. Last, the City Council approves the engagement terms and awards the contract. Hopefully, if the timing is right, that will be done at the May City Council meeting.

The proposed Audit RFP timeline is as follows:

|               |   |
|---------------|---|
| March 2, 2018 | Release RFP                             |
| April 5, 2018 | Due date for RFP responses              |
| April 9, 2018 | Distribute responses to Audit Committee |

## MINUTES OF THE AUDITOR SELECTION COMMITTEE

February 27, 2018

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|----------------|---|
| April 23, 2018 | Auditor Selection Committee meeting to rank and recommend to City Council                   |
| May 10, 2018   | Council Action Item – Approval of Auditor Selection Committee ranking and award of contract |

Council President Wingate asked if the compilation of the master score sheets used last time were done by the accounting office.

Business Process Review Manager Mandy Bills indicated that she worked with the Council Executive at the time and drafted the score sheets and the Council Executive compiled them and forwarded to City Council.

Council President Wingate also mentioned that one of the accounting firms complained about the process that was used.

Business Process Review Manager Mandy Bills indicated that there was some question about whether the ranking should be done on raw score, as was done, or if each Council Member individually ranked the number one firm and did a ranking of #1, #2, and #3. The Financial Services department looked at that and what kind of options would be available and came to the conclusion that while each scoring alternative has very good points, there are just a couple of bad points that go along with it. Going back to the way it is currently in the RFP and how it was in the 2013 RFP, the concern there is that an individual Auditor Selection Committee member has picked their number one firm. Because you are using raw scores, if someone ranks them really, really low, that waters down the number one firm. That is the drawback of that one. The drawback of having the Council Members individually rank #1, #2, and #3 based on their raw scores, then prior to doing that, have to factor in the cost proposal calculation, you can't have ties. It is up to the Auditor Selection Committee as to what type of evaluation criteria, the raw score, what type of ranking they would like to use and that it is clearly communicated in the RFP so that there are no questions about how the calculation is done.

Council Member Spencer asked about the impact of the two additional components added for the BP related funds and the investment of public funds and the removal of the CMPA component.

Business Process Review Manager Mandy Bills indicated that even though the two additional components weren't included in the 2013 RFP, the current auditor, Mauldin Jenkins has been issuing those reports and there wouldn't be a lot of additional procedures that would need to be performed and it should not impact the cost.

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Council Member Spencer inquired about what type of guidance from the Financial Services Department the Auditor Selection Committee Members would have who may not have expertise in evaluating accounting firms for auditing skills in the public meeting format. Can a user friendly guide be developed to help the Auditor Selection Committee make decisions more responsively.

Business Process Review Manager Mandy Bills indicated that in the evaluation criteria, it is pretty evident from the firms response, as you compare the different firms as to who might be more qualified vs less qualified. The first couple of items listed under the evaluation criteria are the mandatory elements. If the mandatory elements haven't been met, then the firm is not responsive.

Council Executive Don Kraher indicated that when the responses come in, the Purchasing Office will be reviewing them to make sure that they complied with all the rules and if there is one that needs to be eliminated, based on their review, the Purchasing Manager indicated that he would consult with the Chief Financial Officer Dick Barker and the Council Executive prior to eliminating any response.

Business Process Review Manager Mandy Bills indicated in the RFP there is detail under the specific audit approach and what should be set forward in their work plan. At the next Auditor Selection Committee meeting, there will be discussion prior to the actual evaluation which could be a time to ask questions of staff, if there are certain questions about the audit approach.

Council Executive Don Kraher also stated that the Strategic Budget Planner to City Council would also be available to consult on some of those items.

**Council Member Jewel Cannada-Wynn made a motion to approve the finalization of the RFP. Council Member Terhaar seconded the motion.**

Council Executive Don Kraher inquired whether the Auditor Selection Committee needed to make a determination of the scoring mechanism.

Business Process Review Manager Mandy Bills indicated that the way it is written in the RFP that is before the Auditor Selection Committee is by the raw score.

**Vote was taken and unanimously carried, 4 – 0.**

There being no further business to come before the Auditor Selection Committee, the meeting was adjourned at 6:05 p.m.



# City of Pensacola

222 West Main Street  
Pensacola, FL 32502

## Memorandum

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**File #:** 18-00187

Auditor Selection Committee

4/23/2018

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### **LEGISLATIVE ACTION ITEM**

**SPONSOR:** City Council President Gerald Wingate

**SUBJECT:**

REVIEW RFP RESPONSES FROM RFP 18-010 FOR PROFESSIONAL AUDITING SERVICES, INDIVIDUALLY RANK AND MAKE RECOMMENDATION TO THE CITY COUNCIL BASED ON THE RANKING

**RECOMMENDATION:**

That the Auditor Selection Committee review the responses from RFP 18-010 for Professional Auditing Services, individually rank the responses and make a recommendation to City Council based on those rankings.

**HEARING REQUIRED:** No Hearing Required

**SUMMARY:**

The Auditor Selection Committee is tasked with identifying and recommending to City Council an Auditor to conduct the annual financial statement audit as required in FS Section 218.391.

On December 14, 2017 the Auditor Selection Committee was established, consisting of members of the City Council.

Request for Proposals were sent out with five (5) responses being received. This is an opportunity for the Auditor Selection Committee to review the responses, individually rank the responses and make a recommendation to City Council based on those rankings.

**PRIOR ACTION:**

December 14, 2017 - Auditor Selection Committee established consisting of the City Council  
February 27, 2018 - Auditor Selection Committee Meeting

**FUNDING:**

N/A



**FINANCIAL IMPACT:**

None

**STAFF CONTACT:**

Don Kraher, Council Executive

**ATTACHMENTS:**

1) None

**PRESENTATION:** No