City of Deer Park

Inter-Office Memorandum

TO: Jay Stokes
Gary Jackson

DATE: May 3, 2018

FROM: Donna Todd

SUBJECT: Recommendation for Professional Auditing Services

In 2013, the City last issued an RFP for professional auditing services for the fiscal years 2013-2017, a total of five years, with the last two years representing optional renewals. At that time, Pattillo, Brown & Hill, LLP had provided auditing services to the City for the fiscal years 2004 – 2012, a total of nine years. Following the RFP process in 2013, Belt Harris Pechacek, LLLP was awarded the contract and with the conclusion of the audit for fiscal year 2017, the firm completed the maximum five-year term of the agreement.

It is typical that these types of professional services are revisited at least every five years using a process to request proposals from qualified firms. On February 21, 2018, following City Council approval, the City issued an RFP for professional auditing services. As before, the process allowed interested firms the option to attend a pre-submittal meeting to ask questions with a final deadline of March 16, 2018 for technical questions. The submission deadline for proposals was April 2, 2018. Representatives from two firms attended the pre-submittal meeting (indicated by a "*" in the following list), and seven firms responded to the RFP: Belt Harris Pechacek, LLLP; *BKD, LLP; Haynie & Company (formerly Darilek Butler & Associates, PLLC); Pattillo, Brown & Hill, LLP; *Postlethwaite & Netterville, Weaver and Tidwell, LLP; and Whitley Penn, LLP.

Overview

The RFP stressed the importance of municipal experience, particularly with cities similar in size to Deer Park. Responses were evaluated based on established criteria with greater emphasis on qualifications, experience, and technical ability to underscore the importance of factors other than cost as the basis for any decision. Respondents were asked to submit a separate cost proposal, with cost representing a maximum 10 percent (10%) of the score.

The RFP included the following evaluation criteria: "The evaluation of the proposals will be made based on the criteria listed below. While pricing is a consideration, it is clearly not the primary factor in the selection of the firm. The contract award will not necessarily be made to the firm that provides the lowest cost proposal. The contract award will be based primarily on demonstrated competence and qualifications using the listed criteria. It is important that the proposal be clear and complete. Incomplete responses will not be considered under any circumstances."

30 points	Qualifications and experience of the firm and key personnel
30 points	Technical ability of the firm, including evaluation of the audit plan
15 points	Thoroughness of the response related to the scope of work
15 points	References
10 points	Pricing
100 points	

The goal of the RFP process is to select a qualified certified public accounting firm to perform the annual audit for the fiscal years ending September 30, 2018 through 2020, with an option to extend the engagement an additional two years to also audit the fiscal years ending September 30, 2021 and 2022. The selected firm must express an opinion on the fair presentation of the City's general purpose financial statements and combining and individual fund financial statements in conformity with generally accepted accounting principles. As part of the audit, the firm shall perform certain limited procedures involving required supplementary information required by GASB. The firm shall also be responsible for preparation of the CAFR and shall work with the City to ensure the report will qualify for the GFOA Certificate of Achievement for Excellence in Financial Reporting award program. The firm shall also perform and report on single audits, as needed. The firm shall be required to present the annual audit to the Finance Committee and the City Council. Additionally, the firm shall be responsible for performing the necessary agreed upon procedures related to the financial assurance test required by the TCEQ in conjunction with the City's solid waste facility. The firm must also be available to respond to other accounting or auditing needs throughout the year, such as providing professional expertise and assistance during the bond issuance process.

Evaluation

A copy of the evaluation results is attached. Based on the responses to the RFP, I believe most of the firms are qualified to provide these services, however I believe two firms stand out as best suited to satisfy the City's requirements.

Cover Letter

Each firm submitted the required cover letter indicating the firm's understanding of the engagement (or aspects thereof) and why the firm is qualified to perform the services. These letters included various degrees of information and all but one were signed by a person authorized to contractually bind the firm. One letter was simply signed with the firm name, which to me, does not represent a "binding signature." Three of the responses were from firms in Houston, one was from a firm in Baton Rouge, LA but with a Houston office (most of the team is in Louisiana), one was from a firm in the Houston area (Conroe), and two firms planned to conduct the audit from offices in San Antonio or Waco.

Qualifications and Experience

All firms have some level of experience with governmental audits and are able to provide other audit services, if requested. The distinction is in the size of the firm, how long they have been serving municipal clients and the size and type of the representative client base (i.e., cities), particularly cities similar in size to Deer Park and in some cases, cities in the State of Texas. Each firm took a different approach to describing their organizational/staffing structure and introducing the audit team that would be assigned to the City. All firms and staff are licensed to practice in the State of Texas although the firm in Louisiana did not clarify that point. One firm provides exclusive service to auditing local governments, and other firms have a dedicated group serving only governmental clients. Each team offers a different level of experience, but most of the engagement partners have extensive experience working with governmental audits.

Technical Approach and Understanding of Scope of Work

All of the firms have an understanding of the required scope of work to complete the annual audit for the City although not all firms referenced the agreed-upon procedures related to the TCEQ requirement for the solid waste facility. Two firms made a specific reference to the City's Incode system and only one firm indicated experience with industrial districts. Each included some level of detail about a project plan for the engagement outlining major tasks and responsibilities and associated staffing. Certainly the responses with more detail provided the most useful information to the City regarding their approach and expectation for the audit. One firm indicated "if" relative to interim fieldwork (there is no "if" relative to interim fieldwork) and their particular timeline seemed a bit unusual.

Thoroughness of Response/Reviewer Observations

Most of the responses were organized and easy to follow, however, all of them had something missing. The RFP required a hard copy and an electronic copy of both the response and the cost proposal. All but one firm sent two separate thumb drives, as required, but one firm sent both proposals on the same thumb drive. One firm sent thumb drives that were password protected, rendering them unusable. One firm requires a background check of the person (typically the finance director) signing the client rep letter. I find this objectionable, and I am not agreeable to providing my personal information to this firm. One firm recently merged with a Texas firm, which gives me pause about continuity in the Texas team currently in place. One firm cited an exception related to release of work papers. Two firms did not provide all the requested insurance information.

References

All firms provided a minimum of four references. In order to complete the evaluations, the City developed a questionnaire and emailed it to four references for each firm hoping for at least three to be returned. The City received anywhere from one to three responses. It is not likely that any firm will provide an unfavorable reference, but some references provided more complete and/or candid feedback.

Certification and Acknowledgement

The RFP included a requirement that an appropriate representative, duly authorized to execute the contract, sign a certification and acknowledgement stating such and as well to affirm agreement to all terms and conditions contained in the RFP. All firms executed this document.

Additional Forms

The RFP stated that respondents must include executed copies of the Conflict of Interest Questionnaire (Form CIQ) and the Certificate of Interested Parties (Form 1295), both available on the Texas Ethics Commission website (links were included in the RFP). One firm did not provide Form 1295.

Addenda

There were no addenda items applicable to this RFP.

Scoring and Ranking

The overall evaluation resulted in the following ranking of the respondents prior to consideration of the cost proposal:

1. Belt Harris Pechacek (89)
2. BKD (83)
3. Weaver and Tidwell (78)
4. Pattillo, Brown & Hill (77)
5. Whitley Penn (75)
6. Postlethwaite & Netterville (64)
7. Haynie & Company (62)

Conclusion and Recommendation

After consideration of the cost proposal, evaluated for the two top ranked firms only, the scoring indicated Belt Harris Pechacek as the top firm (a copy of the scoring sheet is attached). My recommendation is that Belt Harris Pechacek, LLLP continue to provide professional auditing services to the City for the next five-year term. The firm works exclusively on governmental audits, has a large municipal client base in the Houston area, and has served the City well for the past five years. Tara Riley did an informal review of the responses and is also in agreement that Belt Harris Pechacek, LLLP is the best choice for the City.