

# External Auditing Services

Finance, Audit, and Accountability Committee

December 11, 2006

# Purpose

- To provide historical background of previous actions regarding auditing services contract and Request for Proposal
- To brief committee on the:
  - Proposal process
  - Solicitation efforts
  - Results
  - Recommendation

# Background

- The City is required by Charter to have an independent audit of “the book of account, records and transactions of all the administrative department of the City”
- A new contract for auditing services needs to be awarded for upcoming audit of FY 2005-06 financial statements

# Background (cont'd)

- In 2003, the Finance and Audit Committee expressed the desire to award this contract to eligible firms on a three year basis
- KPMG, LLP performed the City's audit for FY 2003, FY2004 and FY2005
- The Finance and Audit Committee also stated if the current firm desires to propose again after the 3 year term, they would be required to replace 2 of the 3 management tier personnel: Senior Auditor, Manager, or Partner

# Background (Cont'd)

- The last contract for auditing services was awarded to KPMG, LLP which has been the auditor for the past eight years
- On June 12, 2006, the Finance, Audit and Accountability Committee (FAA) was briefed on the Request for Proposal process, including efforts planned to obtain auditing proposals and the evaluation criteria. (copy attached)

# Background (Cont'd)

- Advertised in the Dallas Morning News on June 22 and June 29, 2006
- 11 Audit and Accounting firms in the City's vendor database were contacted by email
- 73 Additional Audit and Accounting firms were contacted by personal emails
- 23 of the 84 listed above were published in the Dallas Business Journal as the Largest Metroplex Accounting Firms
- 6 Additional Audit and Accounting Firms were contacted by phone

# Background (Cont'd)

- 25 local M/WBE chambers of commerce, industry and advocacy groups were contacted by email. These groups include vendors that are members of the Hispanic, Asian (Indian and Pacific), African-American, and Native American chamber, along with Black Contractors Association, Hispanic Contractors Association of DFW, Asian American Contractors Association of Greater Dallas, QUOIN - the Association of General Contractors, DFW Minority Business Council, Inner City Community Development, and the Women Business Council-Southwest.
- Two Firms attended the pre-proposal meeting, Grant Thornton, LLP and KPMG, LLP.

# Responses from Firms

- The RFP closed on July 22, 2006
- No Proposals were received
- The following firms responded to the City's RFP but did not wish to submit a proposal:
  - Grant Thornton LLP
  - Deloitte & Touch
  - Moss Adams LLP
  - Travis Wolff
  - BDO Seidman LLP
  - Mahoney Cohen & Company
  - Withum Smith & Brown



# Proposal Results

- Despite significant solicitation efforts, the RFP received limited response from firms solicited due to:
  - Large firms already have other contracts with the City that present conflict of interest issues
  - Firms have too many engagements to accept at this time
  - Many large firms do not pursue governmental business
  - Smaller firms do not have the required experience to compete

# Additional Efforts to Obtain Proposals

- The City contacted KPMG, LLP and Grant Thornton, LLP since they submitted proposals in 2003.
- KMPG, LLP submitted a proposal.

# Good Faith Effort Plan

- KPMG, LLP has fully complied with the Good Faith Effort goals and has three MWBE vendors:

Two local M/WBE vendors participation:

10% - Logan & Associates LLP

10% - Hopkins & Associates

One non local M/WBE vendor participation:

10 % - Marilou Martinez Stevens, CPA & Associates PC

# Conclusions

- Business Development and Procurement Services recommends award to KPMG, LLP for \$950,000.

# Recommendation

- Approval of a December 13 council agenda item to award a twelve-month contract with KPMG, LLP
- Award of this proposal will be for auditing services for FY 2005-06
- The City of Dallas will request proposals for auditing services for FY 2006-07, FY 2007-08 and FY 2008-09 in the Spring of 2007.
- Approval of increase the current audit services contract for fiscal year 2005 ending September 30, 2005 in the amount of \$257,525 from \$460,975 to \$718,500