

South Portland City Council
Position Paper of the City Manager

Subject:

ORDER #166-15/16 – Award of Bid #34-16 to Runyon, Kersteen and Ouellette, of South Portland, ME, for professional auditing services. Passage requires majority vote.

Position:

The City and the School Department are required by local, state, and federal laws and regulations to have an independent certified public accountant (“Auditor”) perform an annual external audit of their financial statements. These audits are to be performed with generally accepted auditing standards. The auditor must present the City Council and School Board with a set of audited financial statements before December 30th of the calendar year that follows the close of the fiscal year (June 30). Formal presentations to both the City Council and School Board normally follow.

This award includes these services to be provided for three fiscal years ending June 30, 2016, June 30, 2017, and June 30, 2018. At the City’s discretion three, one-year extensions beyond the initial three fiscal year term may be allowed.

The bid was advertised, mailed and emailed to various auditing firms. The City received five proposals ranging in a three-year total price of \$139,000 to \$180,000.

An Audit Committee consisting of Councilor Maxine Beecher, Water Resource Protection Director Pat Cloutier, resident Robert Foster and myself (School representative was unable to attend) reviewed each proposal using the following criteria:

- Audit Approach
- Qualifications and experience of the auditors assigned to the audit
- Qualification and experience of the firm
- Prior experience and knowledge of the City of South Portland, knowledge and experience with the MUNIS accounting system and any prior work experience with similar municipalities and major federal programs audited
- Commitment to governmental accounting profession
- Cost of services (price will not be the sole determinant in the selection process).

Of the five responding firms, three firms were selected to make oral presentations, to the Committee, describing their firm, answering questions, and providing an understanding of their approach to municipal/school audits. Those interviewed were RHR Smith, of Buxton, Maine; MacDonald Page & Co., LLC, of South Portland, ME; and Runyon Kersteen and Ouellette, of South Portland, ME.

Based on the proposals and the oral presentations, the Committee chose Runyon, Kersteen and Ouellette for a cost of \$156,000 for three years (51,000 - FY2016, \$52,000 - FY2017 and \$53,000 - FY2018). These costs will be charged to the City's Finance Department Budget and the School Department Budget.

Requested Action:

Council passage of ORDER #166-15/16.


City Manager

COMPENSATION

Proposed Fees

Our fees are the result of time we expend on completing an audit engagement. Based on our knowledge of your accounting system and your needs for the period covered by this proposal, our fees for the audit will be as follows:

	<u>Total Hours</u>	<u>Total All-inclusive Maximum Fees</u>
For the year ended June 30, 2016	500-550	\$ 51,000
For the year ended June 30, 2017	500-550	52,000
<u>For the year ended June 30, 2018</u>	<u>500-550</u>	<u>53,000</u>
Totals		<u>\$ 156,000</u>

Our per-hour quote for additional services to the City and School Department would be as follows:

Partners - \$210; Manager - \$130-185; Supervisors - \$115; Senior accountants - \$100-\$110; Staff accountants - \$80. Routine consultations requiring minimal time expenditure would be gratis.

Our practice is to submit periodic billings as the work progresses. We impose a late fee of 1½% per month on accounts over 30 days old.

Our fees are predicated on the assumption that the City's operations do not change significantly during the period of the engagement, that the City's accounting records are reconciled, balanced, and otherwise in good order, and that City personnel provide us with timely and accurate assistance, including schedules substantiating account balances and assistance in preparing confirmations and locating invoices. Obviously, should the scope of the audit increase or decrease significantly because of extraordinary circumstances identified during the audit, we would expect to negotiate modifications to our contract accordingly.

We commit to delivering the City's financial statements and other reports by December 16th of each year. In the event that the City supplies all necessary information to complete the audit and we fail to meet the deadline of December 16th, we agree to reduce our fees by \$200 for each day the report is late.



CITY OF SOUTH PORTLAND

THOMAS E. BLAKE
Mayor

JAMES H. GAILEY
City Manager

SALLY J. DAGGETT
Jensen Baird Gardner & Henry

EMILY F. CARRINGTON
City Clerk

IN CITY COUNCIL

ORDER #166-15/16

ORDERED, that award of bid be and hereby is made to Runyon, Kersteen Ouellette, of South Portland, ME, in the amount of one hundred fifty-six thousand dollars (\$156,000) to provide professional auditing services for the City of South Portland and South Portland School Department.

Fiscal Note: \$51,000 FY2016
\$52,000 FY2017
\$53,000 FY2018

Dated: June 6, 2016

District One
CLAUDE V. Z. MORGAN

District Two
PATRICIA A. SMITH

District Three
EBEN C. ROSE

District Four
LINDA C. COHEN

District Five
BRAD FOX

At Large
MAXINE R. BEECHER

At Large
THOMAS E. BLAKE



BID RESULTS

FINANCE DEPARTMENT

GREGORY N. L'HEUREUX
Finance Director

KRISTIE BRADBURY
Deputy Finance Director

COLLEEN C. SELBERG
Purchasing Agent

RFP #34-16

PROFESSIONAL AUDITING SERVICES

Proposals for Professional Auditing Services for the City of South Portland were received and opened on Monday, May 16, 2016 at 3:00 P.M. The bid was advertised, mailed and emailed to three (3) auditing firms. Five (5) proposals were received.

Bidder	Three Year Total
Ron L. Beaulieu & Co. Portland, ME	\$139,000.00
RHR Smith Buxton, ME	\$147,000.00
MacDonald Page & Co., LLC. South Portland, ME	\$155,500.00
Runyon, Kersteen Ouellette South Portland, ME	\$156,000.00
Melanson Heath Nashua, NH	\$180,000.00

Recommend Award to: Runyon, Kersteen Ouellette

City Manager

Finance Director

CITY OF SOUTH PORTLAND
REQUEST FOR PROPOSALS
#34-16
FOR
PROFESSIONAL AUDITING SERVICES
May 2016

25 COTTAGE ROAD
SOUTH PORTLAND, MAINE 04106

**Return Mailing Address, Contact Person, Telephone, Fax Numbers and
Deadline for Receipt of Proposals**

Auditors must submit six (6) copies of their proposal, in writing, to the Purchasing Department in a sealed envelope or box. It must be addressed as follows:

Attention: *Colleen Selberg, Purchasing Agent*
Request for Proposal (RFP) Bid Number: *#34-16*
Audit Services
25 Cottage Road
PO BOX 9422
South Portland, ME, 04106

Proposals must be received no later than 3:00PM., on **May 16, 2016**. Faxed, Emailed and/or Oral proposals are **NOT** acceptable.

An Auditor's failure to submit its proposal prior to the deadline will cause the proposal to be disqualified. Late proposals or amendments will not be opened or accepted for evaluation.

All proposals submitted shall become property of the City of South Portland and will not be returned.

CONTACT INFORMATION;
Colleen Selberg, Purchasing Agent
PHONE ***207-767-7608***
FAX ***207-767- 7620***
EMAIL – [*cselberg@southportland.org*](mailto:cselberg@southportland.org)

Thank you for your interest.

Gregory L'Heureux
Director of Finance
City of South Portland

1 PURPOSE

The City of South Portland, which includes the school department, is seeking proposals from qualified independent certified public accountants to perform the required external audits for each of the three fiscal years ending June 30, 2016, June 30, 2017, and June 30, 2018. At the City's discretion, the City may allow three, one year extensions beyond the initial three fiscal year term.

1.2 BACKGROUND

The City of South Portland is a municipal corporation of the State of Maine with a population of 25,002 and a general fund gross appropriation for fiscal year 2014-15 of \$77,380,358. The City's total appropriation for all funds including General Fund, General Fund Reserve Funds, Enterprise Funds, Special Revenue Funds and Capital Project Funds is \$92,140,103.00. The most recent audit of the City was performed in 2015 for fiscal year ended June 30, 2015. As noted above, the municipal audit includes the South Portland School Department.

The City and the School Department are required by local, state, and federal laws and regulations to have an independent certified public accountant ("Auditor") perform an annual external audit of their financial statements. These audits are to be performed with generally accepted auditing standards as set forth by the aforementioned governing bodies. As mentioned earlier, the municipal audit includes the School Department and a separate report is issued for the school department. The City requires the Auditor to present the City Council and School Board with a set of audited financial statements before December 30th of the calendar year that follows the close of the fiscal year (June 30). Shortly thereafter, formal presentations to both the City Council and School Board are required.

The City is committed to quality financial reporting, maintaining adequate systems of internal control, and proper stewardship of public funds. Consistent with this, the City and School expect an audit that clearly meets all applicable auditing and accounting standards. The City has been awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for eight consecutive years. We believe that our current comprehensive annual report continues to meet the Certificate of Achievement Program requirements and we have submitted it to GFOA to determine its eligibility for another certificate.

A. Fund Structure

The City and School Department utilize the Munis Accounting Software.

The accounting system of both the City and School are comprised of the

following funds:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Private Purpose Trust Funds
- Agency Funds
- Permanent Funds
- General Long-Term Debt
- Capital Assets

B. Accounting Standards to be Followed

To meet the requirements of this request for proposal, the audit shall be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and procedures applicable to governmental units, as prescribed in the following but not limited to documents:

1. American Institute of Certified Public Accounts (AICPA) Audits of State and Local Governmental Units, and Statements on Auditing Standards.
2. Government Finance Officers Association Accounting, Auditing and Financial Reporting.
3. U.S. General Accounting Office (GAO) Government Auditing Standards and Guidelines for Financial and Compliance Audits of Federally Assisted Programs.
4. Statements of the Government Accounting Standards Board (GASB)
5. The Single Audit Act of 1984.
6. The U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations
7. Maine Uniform Accounting and Auditing Practices Act for Community Agencies
8. Other documents as may be specifically described in this Request for Proposal, or their successors.

1.3 Reports to be Issued

The Auditor shall perform a financial and compliance audit of the financial statements in accordance with generally accepted auditing standards and principles for the City and School related services as described below.

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. An Independent Auditors Report containing an expression of opinion that

financial statements are fairly stated, or, if a qualified, adverse or disclaimer of opinion is necessary, the reasons therefore. The firm shall submit 35 copies of its reports no later than December 16th of each year.

2. A management letter addressed to the City Council in which the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report. If no reportable conditions are noted, then non reportable conditions should be communicated to management. The management letter will include a report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk. The auditor will assess the effects of observed weaknesses, if any, and propose initial steps to eliminate them.

The management letter should include a report on compliance with applicable laws and regulation. The report on compliance shall include all material instances of noncompliance. The auditor shall be required to make an immediate written report on all irregularities and illegal acts of which they become aware.

3. Separate reports on supplementary information required by Government Auditing Standards and OMB Circular A-133 which will include:
 - a. A report on compliance and the internal control structure at the General Purpose Financial Statement level;
 - b. A separate report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133;
 - c. Scheduled of Expenditures of Federal Awards and accompanying notes;
 - d. A report on compliance with specific requirements applicable to major and non-major federal financial assistance programs;
 - e. A report on compliance with general requirements for both major and non-major federal financial assistance programs.
4. When applicable, a separate report as required by Maine Uniform Accounting and Auditing Practices Act for Community Agencies (MAAP), which will include:
 - a. A Schedule of expenditures of Department Agreements.

5. The auditor must prepare an independent auditor's report on compliance with Maine State Statutes requirements and include the required MEDMS report to the State Department of Education.

1.4 FORMAT REQUIRED

In order to facilitate the evaluation and comparison of all proposals, please present your proposal in tabs as described in the paragraphs that follow. To be considered substantive, the proposal shall respond to all requirements of this part of the RFP. Any other information thought to be relevant, but not applicable to the enumerated categories, may be provided as a separately bound appendix to the proposal.

A. Title Page

B. Table of Content

C. Letter of Transmittal – The letter of transmittal should state the firm's understanding of the scope of the audit and contain a firm commitment to meet the audit specifications within the stated time period(s). The letter should also identify the name and position of the person who is authorized to bind the firm to a contract.

D. Audit Approach – How the Auditor will plan, conduct, and report on the audit; explicit expected dollar levels of materiality by fund (based on fiscal year 2015); expected levels of materiality for the A-133 audit; and coordination with management. Provide a summary of the firm's formal work plans, including engagement control and auditing techniques to be employed during the audits. Assuming your firm's appointment during May 2016, provide a timetable of the major events for completion of the examination of the June 30, 2016 financial statements through delivery of your final reports within 170 days of year-end (December 16th). Also provide a description of how you would audit GASB 68 for the City and School.

E. Qualifications and Experience of Auditors – How the audit partners, managers and individual auditors, who will be assigned to the City and School audit, are qualified by training and experience to perform the audit. Please identify the anticipated staff for this engagement and provide Résumés including specifics such as professional certifications, college degrees, type, levels and years of experience in auditing local governments, schools, and relevant training courses should be clearly shown. State how the firm intends to maintain the quality of the staff, over the term of the agreement. Also discuss any prior experience with the City of South Portland and any knowledge obtained from that prior experience.

F. Qualifications and Experience of Firm; References – How the local office of the firm is qualified to perform a governmental audit, including a **minimum of ten years' experience** auditing other local governments and schools. Provide a detailed list of

audits of towns, cities and schools, including those in Maine your firm has completed in the past 5 years. Anticipate that phone calls will be made to a sample of these communities and schools as reference checks. Also provide the firms Quality Control practices that ensure a high level of service while maintaining the independent nature of audit services. Firms need to provide a copy of the results of its latest peer review.

- G. Accessibility and Commitment to the Profession – The degree of accessibility and that the Auditor will be able to provide the City and School. Please provide details of the firm’s commitment to the Maine Governmental Accounting Profession. Provide specifics to training provided on new GASB pronouncements, internal controls, and other matters important to the profession.

- H. Compensation – Estimate the total hours and the resulting all-inclusive maximum fee for which the requested work will be done. Provide estimated hours and total fee for each year’s audit. An appendix stating the hourly rate for staff classifications is required. The City reserves the right to adjust quoted appraisal fee negatively for each day the report is received after the deadline at a rate of \$200.00 per day. No penalty shall be imposed for delay that is beyond the control of the auditor and the auditing firm if written documentation explaining the reason for the delay is received by the City well in advance of the report’s due date.

1.5 DESCRIPTION OF THE GOVERNMENT

A. Magnitude of Finance Operations

The Finance Department is headed by Gregory N. L’Heureux, Finance Director and consists of twenty-two employees. The principal functions performed and the number of employees assigned to each are as follows:

<u>Function</u>	<u>Number of Employees</u>
Accounting & Purchasing Division	5
Assessing Department	6
Treasury Division	7
Information Systems	4

The School Business Office is headed by Rafe Forland, Business Manager and consists of three employees. Payroll Specialist, Benefits Specialist and Accounts Payable Clerk.

B. Computer Systems

1. The City of South Portland is currently using Munis Software for the following applications:
 - a. Financials including General Ledger, Budget, Purchasing, Accounts Payable and Fixed Assets
 - b. Payroll/Personnel
 - c. Revenue/Billing including Tax Billing, General Billing, Parking Tickets and Misc. Cash Receipts
 - d. Tyler Content Manager

C. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports can find all budget and financial information at www.southportland.org . The City of South Portland will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

1.6 RFP TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Due date for proposals	May 16, 2016
Oral presentations	Week of May 23, 2016
Council Approval	June 6, 2016
Selected firm notified	June 7, 2016

All firms acknowledge and understand that the City will not pay for any cost incurred by firms in connections with the preparation or submission of a proposal.

The City of South Portland reserves the right without prejudice to reject any and all proposals, should it be deemed in the best interest of the City to do so, and to make the award which, in its judgment, will best meet the needs of the City, as expressed in this RFP. The final award decision rests with the South Portland City Council.

Submission of a proposal indicates acceptance by the firm of the conditions contained in the Request for Proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of South Portland and the firm selected.

Pursuant to the state freedom of access act, all firms understand that proposals, once submitted to the City, are public documents and are available for inspection by any

interested parties.

1.7 ASSISTANCE TO BE PROVIDED TO THE AUDITOR, REPORT PREPARATION AND OTHER

A. Finance Department and Clerical Assistance

The Finance Department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. City staff will provide electronic copies of audit schedules for all key accounts and other schedules requested by the auditors. The preparation of confirmations will be the responsibility of the auditors.

B. Work Area, Telephones, Internet, Photocopying and FAX Machines

The City of South Portland will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to telephone lines, internet access, photocopying facilities and FAX machines for the purpose related to the City's audit. The City will also provide read only access to the City's Financial accounting software (MUNIS) including Tyler Content Manager.

C. Report Preparation

City staff will provide the auditors with reconciled trial balances for all funds at the start of year end field work, and provide drafts of financial statements, including notes by November 15th of each year. Report preparation will be compiled by the City but editing and printing shall be the responsibility of the auditor.

D. Payment

The City shall make payment to the Auditor upon completion of the services and acceptance of the report each year for the City and School Department. The Finance Director may make interim payments for work performed by the Auditor at their discretion.

E. Other

1. The firm is expected to provide the municipality with information on current developments and professional pronouncements, which could affect its financial operations and management.
2. The City may also require consultation on a variety of auditing, financial reporting, accounting and payroll-related issues, which arise during the year.

3. The firm shall agree to provide copies of its working papers to the City.
4. The auditor must retain all records, working papers, statements, and other relevant documents for a period of three (3) years from the end of the fiscal year being audited.

1.8 EVALUATION PROCESS

A. Audit RFP Committee

Proposals submitted will be evaluated by a Auditor RFP Committee consisting of possible members that might include the City Manager, Assistant City Manager, a Department Head, a representative of the School Department, a Council Person, and a member of the public. The City's Finance Director will act only as an advisor for technical questions and will not be a voting member of the RFP committee.

B. Review and Evaluation of Proposals

The Audit Committee shall review and evaluate proposals according to the following criteria:

Phase I:

- ▶ Audit Approach
- ▶ Qualifications and experience of the auditors assigned to the audit
- ▶ Qualification and experience of the firm
- ▶ Prior experience and knowledge of the City of South Portland, knowledge and experience with the MUNIS accounting system and any prior work experience with similar municipalities and major federal programs audited
- ▶ Commitment to governmental accounting profession
- ▶ Cost of services

Phase II:

As part of the review and evaluation process, the Audit Committee will, at its discretion, may request any, or all, audit firms to make oral presentations. Not all firms may be requested to make oral presentations.

- ▶ Oral presentations

During oral presentations, each firm will briefly describe their firm and provide any other information that might be helpful in evaluating your firm in regards to this request for proposal. This time will also allow the Audit RFP committee to ask questions of each auditing firm.

Price will not be the sole determinant in the selection process. The City of South

Portland wishes to select an auditing firm that can best demonstrate the capability to provide the desired services, both currently and in the future, with quality and innovation at a competitive price.

The City Manager will make a final recommendation to the City Council, who will make the final decision in this matter. Following selection, the successful bidder will be notified and will enter into a contract with the City. The contract will be based on the provisions of this RFP and will describe the terms and conditions under which the audit firm will be appointed, assigned tasks and compensated.

Proposals must be received at the above address not later than **3:00 PM on May 16, 2016** at which time proposals will be publicly opened and read. It is the bidder's sole responsibility to ensure that the proposal is physically submitted to the City prior to the time and date specified. Questions on the RFP can be addressed to the Purchasing Agent, Colleen Selberg at 767-7608 (cselberg@southportland.org) , City Finance Director, Greg L'Heureux at 767-7613 (glheureux@southportland.org) , or City Deputy Finance Director, Kristie Bradbury at 767-7657 (kbradbury@southportland.org) .

1.9 Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm to the conditions contained in this request for proposal, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of South Portland and the firm selected.

The City of South Portland reserves the right without prejudice to reject any or all proposals.

1.10 TERMINATION OF AUDIT

If the audit firm fails to substantially comply with the specifications contained in this Request for Proposals, then the City of South Portland reserves the right to terminate the engagement after completion of any audit year, upon written notice to the firm by March 1.