

March 2, 2005

TO: John Szerlag, City Manager

FROM: John M. Lamerato, ACM / Finance & Administration  
Jeanette Bennett, Purchasing Director  
James A. Nash, Financial Services Director

SUBJECT: **Agenda Item** - Standard Purchasing Resolution 8: Best Value Process Award – Audit Services

### **RECOMMENDATION**

On February 4, 2005, three (3) proposals were received to provide audit services for the fiscal years ending June 30<sup>th</sup> 2005, 2006, and 2007, with a three (3) year option to renew. City management recommends that a contract be awarded to Doeren Mayhew of Troy, Michigan, the highest scoring respondent, as a result of a best value process for an estimated annual cost of \$55,695.00. The award is contingent upon vendor submission of proper contract and proposal documents, including insurance certificates and all specified requirements.

### **SELECTION PROCESS**

The best value approach leading to this award recommendation is based upon the vendor offering the best combination of a variety of factors. Three staff members independently evaluated proposals of the bidders meeting minimum requirements. The Staff Committee reviewed the firms using pass/ fail criteria, weighted criteria, scripted interviews, and pricing. References were contacted and asked scripted questions. These factors are documented in the attached Executive Summary.

### **SUMMARY**

After completing the evaluation process, Doeren Mayhew received the highest weighted score from the committee. Accordingly, it is the recommendation of the committee to award the audit services contract to Doeren Mayhew.

### **BUDGET**

Funds for the audit are available in the various operating accounts for Finance, DDA, Block Grant Administration, and Brownfield Redevelopment.

## **PROPOSED - STANDARD PURCHASING RESOLUTION 8**

RESOLVED, That a three-year contract to provide Audit Services for years 2005, 2006, and 2007 with an option to renew for three additional years is hereby awarded to Doeren Mayhew of Troy, Michigan, the lowest bidder with the highest score, as the result of a Best Value process at an estimated annual cost of \$55,695.00, as outlined in the tabulation opened February 4, 2005, a copy of which shall be attached to the original Minutes of this meeting.

BE IT FURTHER RESOLVED, That the award is contingent upon contractor submission of proper contract and proposal documents, including insurance certificates and all other specified requirements.



## EXECUTIVE SUMMARY AUDIT SERVICES

**STATISTICS:**

- ◆ **7 Request for Proposals or Notices were sent by email or fax**
- ◆ **3 responses were received**
- ◆ **Doeren Mayhew was rated the most qualified firm by receiving the highest score**

**FINAL SCORING:**

The **final score** for each qualified Short-listed bidder from Phase 2 will be determined as follows:

40% x Price Score (100 pt. Base)	=
30% x Evaluation Score (100 pt. Base)	=
20% x Oral Presentation Score (100 pt. Base)	=
<del>10% x Other (100 pt. Base)</del>	=
<del>100</del> 90% Final Weighted Score	

**The following bidders submitted a proposal and received the indicated final scores:**

COMPANY	SCORE
<b>Doeren Mayhew</b>	<b>66</b>
<b>The Rehmann Group</b>	<b>51</b>

**BIDDER NOT MEETING SPECIFICATIONS:**

**Virchow, Krause & Company, LLP was disqualified for the following:**

- ✓ **VK&C did not have Michigan governmental experience listed**
- ✓ **The only Michigan staff listed did not have municipal experience**
- ✓ **VK&C made an assumption in their RFP that the City would supply draft financial statements. This assumption was in conflict with a specification requiring preparation, editing, and printing of reports**

**REASONS FOR NO BID RESPONSES:**

**PriceWaterhouseCoopers** LLP respectfully declined to bid but requested to remain on our bid list.

**Plante Moran, PLLC** expressed numerous reasons for not bidding, which include: 1) Troy was not upset with the current auditing firm and probably would stay with them; 2) large emphasis on fee; 3) for the effort, they probably would not get it; 4) they are a premier firm and could not receive enough points to make that apparent; 5) they are very busy at audit time but could do the work if requested.

**Wolinski & Company, CPA, PC**, during the process, Ms. Houghton mentioned that they would not be submitting a RFP because, since the Enron scandal, regulatory agencies are trying to crack down on firms and require them to separate consulting from CPA services. Wolinski & Co. does more consulting.

**KPMG** – did not respond to voicemail – earlier had refused to provide email address.

**Attachments:**

- Evaluation Process
- Weighted Scoring Summary

# EVALUATION PROCESS:

AUDIT SERVICES

SELECTION PROCESS

Page 1 of 2

## CRITERIA FOR SELECTION

The City Committee reviewed the proposals using the following criteria:

- A. Compliance with qualifications criteria
- B. Completeness of the proposal
- C. Correlation of the proposals submitted to the needs of the City of Troy
- D. Any other factors which may be deemed to be in the City's best interest
- E. Evaluation Process

### Phase 1: Qualifications Evaluation.

A designated member of the Committee reviewed all responses and determined if that company met the minimum established criteria. A standardized form was used for all firms.  
(Evaluation Criteria Sheet attached)

### Phase 2: Weighted Evaluation Process.

Those firms that passed the initial pass/ fail phase, were *independently* rated by each member of the Evaluation Committee using a standardized weighted score sheet. The rating forms were turned into Purchasing who then calculated the weighted scores for the final score indicated on the Executive Summary. The scores of the three Committee Members were averaged into one score for each bidder for this phase of the process.

### Phase 3: Oral Presentation

Both firms were invited to interview with the Evaluation Committee. A scripted format was used to ensure fairness to both firms. Each Committee member completed his or her Interview Form *independently* without discussion. The forms were turned into Purchasing to calculate the scores for the final score reported on the Executive Summary. The scores of the three Committee Members were averaged into one score for each bidder for this phase of the process.

### Phase 4: "Other" Points

The Committee decided to eliminate this phase of the process therefore no "Other" points were awarded.

### Phase 5: Price

Points for price will be calculated as follows:

#### **CALCULATIONS:**

1. The proposals shall be arranged from lowest proposal to highest proposal
2. High Proposal (-) Low Proposal = Range
3. A mean or average will be calculated from the data, as well as the variance and standard deviation. This information will be used to compare and interpret the measures of location and variability within the population. Points will be given based upon the number of standard deviations that the bid price is from the mean or average or similar process depending upon the population.

**AUDIT SERVICES  
SELECTION PROCESS**

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**Phase 6: Final Scoring and Selection**

The highest final weighted score will be the firm recommended to the Troy City Council for Award.

$$\begin{aligned} &40\% \times \text{Price Score (100 pt. Base)} = \\ &30\% \times \text{Evaluation Score (100 pt. Base)} = \\ &20\% \times \text{Oral Presentation Score (100 pt. Base)} = \\ &\del{10\% \times \text{Other (100 pt. Base)} =} \\ &100\% \text{ 90\% Final Weighted Score} \end{aligned}$$

Note: The City of Troy reserved the right to change the order or eliminate an evaluation phase if deemed in the City's best interest to do so.



WEIGHTED RATING  
AUDIT SERVICES

WEIGHTED EVALUATION – Rating Non-Mandatory Requirements:

<b>Raters:</b>	1	2	3	AVERAGE
<b>Vendors:</b>				
1. Doeren Mayhew	<b>82</b>	<b>61</b>	<b>65</b>	<b>69.34 = 69</b>
2. The Rehman Group	<b>91</b>	<b>82</b>	<b>64</b>	<b>79.0</b>

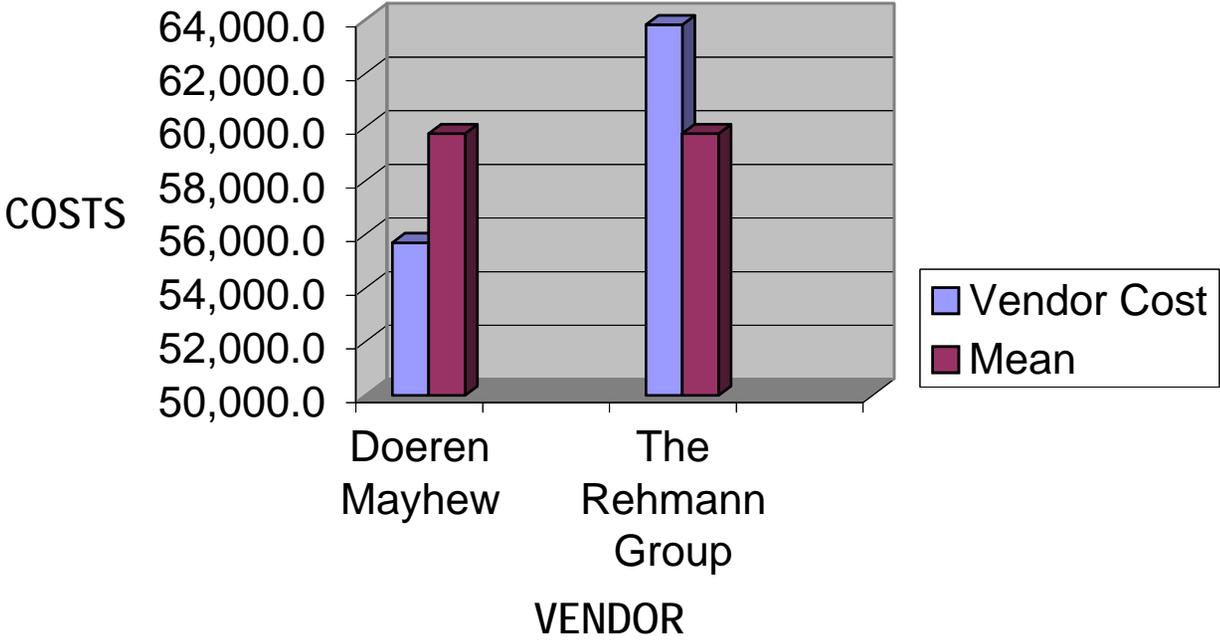
INTERVIEW SCORING:

<b>Raters:</b>	1	2	3	AVERAGE
<b>Vendors:</b>				
1. Doeren Mayhew	<b>59</b>	<b>83</b>	<b>79</b>	<b>73.67 = 74</b>
2. The Rehman Group	<b>85</b>	<b>93</b>	<b>76</b>	<b>84.67 = 85</b>

FINAL SCORING:

	Score Price Score 40% of Total	Score Weighted Score 30% of Total	Score Interview Score 20% of Total	FINAL SCORE Max. = 90
<b>Categories:</b>	Price	Weighted	Interview	
1. Doeren Mayhew	<b>75 x .40 = 30</b>	<b>69 x .30 = 20.7 = 21</b>	<b>74 x .20 = 14.8 = 15</b>	<b>66</b>
2. The Rehman Group	<b>25 x .40 = 10</b>	<b>79 x .30 = 23.7 = 24</b>	<b>85 x .20 = 17</b>	<b>51</b>

# AUDIT SERVICES



**AUDIT SERVICES  
ANALYSIS**

VENDOR	COST	MEAN	DIFFERENCE	D2	VARIANCE	STANDARD DEVIATION	POINTS
Doeren Mayhew	55,695.0	59,758	4,062.50	16503906.25		-1	75
						0 (Mean)	50
The Rehmann Group	63,820.0	59,758	(4,062.50)	16503906.25		+1	25
	\$ 119,515.0			33,007,813	16503906.25	4062.50	

VENDOR NAME:

DOEREN MAYHEW	THE REHMANN GROUP
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**PROPOSAL: Audit Services for the City of Troy for fiscal years 2005, 2006, 2007 ending June 30th with an Option to Renew for three additional fiscal years**

FIRM QUESTIONNAIRE:	Y or N	YES	YES
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**PROPOSAL A: City of Troy Audit**

All-Inclusive Maximum Price for 2005 Audit

<b>Annual Cost:</b>	\$ 45,840.00	\$ 57,000.00
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Staff - Hours & Hourly Rates	Y or N	YES	YES
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Federal Programs - Annual Cost:	\$ 3,585.000	INCLUDED
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Out of Pocket Expenses:	None	None
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**PROPOSAL B: Downtown Development**

All-Inclusive Maximum Price - DDA Audits for 2005

<b>Annual Cost:</b>	\$ 2,345.00	\$ 3,070.00
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Out of Pocket Expenses:	None	None
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Staff - Hours & Hourly Rate	Y or N	YES	YES
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**PROPOSAL C: Brownfield Redevelopment**

All-Inclusive Maximum Price - BRA Audits for 2005

<b>Annual Cost:</b>	\$ 1,950.00	\$ 1,800.00
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Staff - Hours & Hourly Rate	Y or N	YES	YES
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Out of Pocket Expenses:	None	None
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**PROPOSAL D: Local Development Authority**

All-Inclusive Maximum Price - Smart Zone Audits for 2005

<b>Annual Cost:</b>	\$ 1,975.00	\$ 1,950.00
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Staff - Hours & Hourly Rate	Y or N	YES	YES
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Out of Pocket Expenses:	None	None
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<b>ESTIMATED GRAND TOTAL:</b>	\$ 55,695.00	\$ 63,820.00
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<b>INSURANCE:</b>	Can Meet	YES	YES
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	Cannot Meet		
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<b>TERMS:</b>	BLANK	BLANK
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<b>EXCEPTIONS:</b>	BLANK	BLANK
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<b>ACKNOWLEDGEMENT:</b>	Y or N	YES	YES
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**DMS:**

Virchow, Krause & Company, LLP (\$45,000)

Reasons: No Michigan municipal experience listed; and draft financial statements are not available, but the responsibility of the auditor.

**NO BIDS:**

PriceWaterhouseCoopers

**ATTEST:**

Aileen Bittner

Laura Fitzpatrick

Jeanette Bennett

Jeanette Bennett

Purchasing Director



RE: RFP-COT 04-60  
Audit Services

February 14, 2005

Mr. John Knepel, CPA  
Virchow, Krause & Company, LLP  
115 S. 84<sup>th</sup> Street, Suite 400  
Milwaukee, WI 53214

Dear Mr. Knepel,

On behalf of the City of Troy, I would like to thank you for participating in the Request for Proposal for Audit Services. At this time we would like to notify you that during Phase I of the Selection Process (Qualifications Evaluation), the Selection Committee eliminated your firm from further consideration for the following reasons:

1. Question 3 requests a list of governmental audit clients. Question 5 requests information on the staff assigned to the City of Troy account. Although your company has municipal references, they are all in Wisconsin. Correspondingly, staff with municipal experience assigned to the City account is located in Wisconsin. The only listed Michigan staff member assigned to the City's account does not have any municipal experience indicated. The Selection Committee was specifically looking for firms with Michigan audit experience for the following reasons:
  - ✓ Act 51 Highway Tax receipts, expenditures, reporting requirements
  - ✓ DDA, Brownfield Redevelopment, and LDFA (SmartZone) statutes
  - ✓ Deficit fund balance reporting issues
  - ✓ State Construction Code Act
  - ✓ Allowable Investments
2. Question 11 requests information on your firm's Audit Approach. In your proposal, you state "Our proposal and estimated hours schedule are prepared under the assumption that City's records will be ready to be audited... **In addition, draft financial statements will be available.**" This assumption does not comply with the intent of the Report Preparation specification included in the document on page 4 of 16 of the Request for Qualifications/ Proposal, under Section V, Item B. Report Preparation: "Report preparation, editing, and printing shall be the responsibility of the auditor".

If you have any questions concerning the Request for Proposal, the process, or would like further information, please call the Purchasing Department for assistance at (248) 680-7291.

Sincerely,

Jeanette Bennett  
Purchasing Director