

April 7, 2005

TO: John Szerlag, City Manager

FROM: John M. Lamerato, Assistant City Manager-Finance/Administration

SUBJECT: Best Value Process Award – Audit Services

This memo will focus on the process used in the selection of an auditing firm, Government Finance Officers Association (GFOA) Recommended Practice for Audit Procurement, as well as the history of auditor selection of the City of Troy.

### **PROCESS**

The Request for Proposal (RFP) included a detailed description of the process that would be followed in the selection of an auditor. The “Selection Process” (copy attached) was followed and the award recommendation made within the parameters of the stated process. The standard deviation method was the **stated method** for scoring the pricing phase.

During the discussion of this item at the January 24, 2005 City Council meeting, City Council was informed of the process being used and the short list of auditing firms asked to participate in the process, based on their experience in governmental auditing and membership and involvement in the Michigan Government Finance Officers Association. The list included the firms of Doeren Mayhew, Plante & Moran, Pricewaterhouse Coopers, Rehmann Robson, and Wolinsky and Company. Two additional firms that were mentioned at the meeting (KPMG and Virchow, Krause & Company) were also sent a notice of RFP availability. If elimination of the current auditors from consideration was desired, Doeren Mayhew should have been eliminated from the process at that time.

At the City Council meeting of January 24, 2005, Resolution #2005-01-051 was passed (copy attached) that directed City Staff to continue the review process for Request for Qualifications in the selection of auditing services and submit to City Council the summary of their findings and recommendations no less than two weeks before a decision is expected. The recommendation appeared on the March 7, 2005 Council agenda as a Green Memo.

The March 21, 2005 City Council agenda contained City Management’s recommendation to award the contract to Doeren Mayhew, the highest scoring respondent, as a result of a best value process.

## **GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) RECOMMENDED PRACTICE FOR AUDIT PROCUREMENT**

The following bullet points were taken from the GFOA Recommended Practice – Audit Procurement:

- “Governmental entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such multiyear agreements can take a variety of different forms (e.g., a series of single-year contracts), consistent with applicable legal requirements. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain “start-up” costs over several years, rather than over a single year”.
- “Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements. Ideally, auditor independence would be enhanced by a policy requiring that the independent auditor be replaced at the end of the audit contract, as is often the case in the private sector. **Unfortunately, the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive. In such cases, it is recommended that a governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory”.**

These points were taken into consideration when we developed the process to select an audit firm.

## **HISTORY OF AUDIT SELECTION – CITY OF TROY**

- 1991 – Following an RFP process City Council awarded Doeren Mayhew a four-year contract, as they were the lowest priced acceptable bidder. City Management’s recommendation at the time was to remain with Derderian, Kann, Seyferth & Salucci.
- 1995 – Five-year extension granted to Doeren Mayhew by City Council, based on City Management recommendation. Reasons given were to provide a smoother transition with the upcoming change in financial software and myself being new to the job.

- 1999 – **City Council** granted a five-year extension to Doeren Mayhew, on their own volition. City Management was prepared to go out for RFP's after the 1999 audit as evidenced by attached letter to Doeren Mayhew. City Council requested that City Management prepare a contract extension for five years, which was approved by City Council.

## **SUMMARY**

City Management was charged with recommending an audit firm to City Council based upon a process that was approved by City Council. City Council had two weeks to review the recommendation before a formal vote would be taken. City Management did not receive any correspondence from City Council until the afternoon of March 21, 2005, the date of the meeting. City Management supplied City Council with the requested information which included a copy of all RFPs and rating sheets the night of the meeting.

Our recommendation is based upon the results of three staff members independently rating the two firms under consideration using the process and weighting methods approved by City Council. The ultimate selection of auditors, as well as other professional service providers, rests with City Council. It is professional staff's responsibility to judge, evaluate and then make a recommendation of a suitable firm to perform the work to City Council.

The City of Troy is not alone in having the same auditing firm for a number of consecutive years. The following information has been gathered on the time-span of current auditors from comparable cities:

Farmington Hills – 30+ years

Novi – 26+ years

Southfield – 24 years

Sterling Heights – 18 years

Both of the firms that were under consideration have the necessary expertise to perform the audit for the City of Troy. Based on the selection process approved by City Council on January 24, 2005, Doeren Mayhew is the recommended choice of auditors.

# 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**

**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.

specifications, soil borings and to obtain the necessary permits for the proposed Sylvan Glen Golf Course Streambank Stabilization Project at a cost not to exceed \$75,000.

Yes: All-7

**MEMORANDUMS AND FUTURE COUNCIL AGENDA ITEMS:**

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**G-1 Announcement of Public Hearings:**

- a) Preliminary Site Plan Review and Amended Consent Order and Judgment (SP 883-C) – Heartland Health Care, Southeast Corner of South Boulevard and Livernois, Section 3 – O-1 and R-1B – February 7, 2005

Noted and Filed

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**G-2 Green Memorandums:**

- a) Summary of Phase I Findings for Water System Feasibility Study
- b) Voter Identification Cards and Absentee Voter Applications
- c) Recommendation to Reject Proposal for Nature Center Exhibits and Fabrication
- d) Recreation Pass Fee Recommendations for 2005
- e) Sanctuary Lake Maintenance Operation

Noted and Filed

**COUNCIL REFERRALS: Items Advanced to the City Manager by Individual City Council Members for Placement on the Agenda**

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**H-1 No Referrals Advanced**

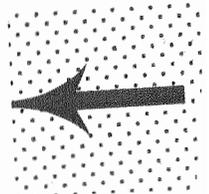
**COUNCIL COMMENTS:**

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**I-1 No Council Comments Advanced**

**Resolution Regarding the Selection of Auditing Services**

Resolution  
Moved by Beltramini  
Seconded by Stine



RESOLVED, That City Staff **CONTINUE** the review process for Request for Qualifications (RFQ's) in the selection of auditing services and submit to City Council the summary of their findings and recommendations no less than two weeks before a decision is expected.

**Vote on Resolution to Call the Question**

Resolution #2005-01-050  
Moved by Schilling  
Seconded by Beltramini

RESOLVED, That the **QUESTION BE CALLED** for the resolution regarding the selection of auditing services.

Yes: Schilling, Beltramini, Broomfield, Eisenbacher  
 No: Howrylak, Lambert, Stine

### **MOTION CARRIED**

#### **Vote on Resolution Regarding the Selection of Auditing Services**

Resolution #2005-01-051  
 Moved by Beltramini  
 Seconded by Stine

RESOLVED, That City Staff **CONTINUE** the review process for Request for Qualifications (RFQ's) in the selection of auditing services and submit to City Council the summary of their findings and recommendations no less than two weeks before a decision is expected.

Yes: Beltramini, Broomfield, Eisenbacher, Lambert, Stine, Schilling  
 No: Howrylak

### **MOTION CARRIED**

#### **REPORTS:**

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##### **J-1 Minutes – Boards and Committees:**

- a) Building Code Board of Appeals/Final – December 1, 2004
- b) Parks and Recreation Advisory Board/Final – December 7, 2004
- c) Employees' Retirement System Board of Trustees/Final – December 8, 2004
- d) Planning Commission/Final – December 14, 2004
- e) Building Code Board of Appeals/Draft – January 5, 2005
- f) Library Board/Draft – January 13, 2005

Noted and Filed

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##### **J-2 Department Reports:**

- a) Travel Expense Report – Mayor Louise Schilling – National League of Cities Conference
- b) Building and Zoning Department Permits Issued During the Year 2004
- c) Building and Zoning Department Permits Issued During the Month of December, 2004
- d) Building and Zoning Department Permits Issued July Through December, 2004
- e) December 31, 2004 Quarterly Financial Report
- f) 2004 Fourth Quarter Litigation Report

Noted and Filed

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##### **J-3 Letters of Appreciation:**

- a) Letter to Chief Craft from St. Joseph Catholic Chaldean Church Thanking the Troy Police Department for Assistance with Traffic Control During Christmas Services
- b) Certificate of Appreciation Thanking Sergeant Don Ostrowski from the Michigan Public Purchasing Officers Association for His Presentation on Emergency Preparedness

Noted and Filed

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##### **J-4 Proposed Proclamations/Resolutions from Other Organizations: None Submitted**



December 17, 1999

500 West Big Beaver  
Troy, Michigan 48084  
Fax: (248) 524-0851  
www.ci.troy.mi.us

Area code (248)

Assessing  
524-3311

Bldg. Inspections  
524-3344

Bldg. Maintenance  
524-3368

City Clerk  
524-3316

City Manager  
524-3330

Community Affairs  
524-1147

Engineering  
524-3383

Finance  
524-3411

Fire-Administration  
524-3419

Human Resources  
524-3339

Information Services  
619-7279

Law  
524-3320

Library  
524-3545

Parks & Recreation  
524-3484

Planning  
524-3364

Police-Administration  
524-3443

Public Works  
524-3370

Purchasing  
524-3338

Real Estate & Development  
524-3498

Treasurer  
524-3334

General Information  
524-3300

Attn: Mr. Lawrence A. Simon  
Doeren Mayhew  
Certified Public Accountants  
2300 Top of Troy  
755 West Big Beaver Rd.  
Troy, MI 48084-0231

Dear Mr. Simon,

Enclosed please find the proposal that was mailed to Mr. John Lamerato, Assistant City Manager / Finance and Administration. City staff intends to go through a request for proposal process for audit services within the next few months. Therefore, your proposal is being returned unopened to ensure that your pricing schedule has not been compromised.

Let me assure you that your company will be sent a request for proposal to the address on file. We look forward to reviewing your company's proposal at that time but request that you provide the proposal in the format prepared by City Staff.

Sincerely,

Jeanette Bennett  
Purchasing Director

Cc: John M. Lamerato  
File

WHEREAS, The land and house will become the property of the City of Troy.

NOW THEREFORE BE IT RESOLVED, That the Agreement to Purchase between Danny E. Lee and Diane M. Lee, and the City of Troy, having Sidwell #88-20-16-478-026 for the acquisition of their property at 109 Lange, is hereby **APPROVED** in the amount of \$290,000.00, plus closing costs.

Yes: All-5  
No: None  
Absent: Schilling, Broomfield

The meeting **RECESSED** at 8:57 PM.

The meeting **RECONVENED** at 9:11 PM.

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**F-10 Standard Purchasing Resolution 8: Best Value Process Award – Audit Services**

Resolution  
Moved by Howrylak  
Seconded by Eisenbacher

WHEREAS, The City Council of the City of Troy desires to utilize the services of a new auditor after fourteen years with Doeren Mayhew.

RESOLVED, That a three (3) year contract to provide audit services for years 2005, 2006 and 2007 with an option to renew for three (3) additional years is hereby **AWARDED** to the Rehmann Group as a result of the Best Value process at an estimated cost of \$63,820.00, 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.

**Resolution to Postpone**

Resolution  
Moved by Beltramini  
Seconded by Lambert

RESOLVED, That Standard Purchasing Resolution 8: Best Value Process Award – Audit Services be **POSTPONED** until the Regular City Council Meeting scheduled for Monday, April 4, 2005.

**Vote on Resolution to Amend Proposed Postponement Resolution**

Resolution #2005-03-134  
Moved by Howrylak

Seconded by Lambert

RESOLVED, That the Resolution to Postpone be **AMENDED** by **STRIKING** "April 4, 2005" and **INSERTING** "April 18, 2005".

Yes: All-5  
No: None  
Absent: Schilling, Broomfield

**Vote on Resolution to Postpone as Amended**

Resolution #2005-03-135  
Moved by Beltramini  
Seconded by Lambert

RESOLVED, That Standard Purchasing Resolution 8: Best Value Process Award – Audit Services be **POSTPONED** until the Regular City Council Meeting scheduled for Monday, April 18, 2005.

Yes: All-5  
No: None  
Absent: Schilling, Broomfield

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**F-11 Labor Attorney Fees and Agreement**

Resolution #2005-03-136  
Moved by Lambert  
Seconded by Eisenbacher

WHEREAS, Craig Lange, Roumell, Lange and Cholack has provided the City of Troy with excellent outside labor counsel for many years and has requested a rate increase from \$145.00 to \$155.00 per hour; and

WHEREAS, The City Attorney has determined that the rate charged by Lange & Cholack is reasonable; and

WHEREAS, It is the determination of the City Manager and City Council of the City of Troy that no benefit would result to the City to solicit sealed proposals;

NOW, THEREFORE, BE IT RESOLVED, That the Agreement for Labor Council Services, and rate charge of \$155.00 per hour requested by Craig Lange, Roumell, Lange & Cholack, is hereby **APPROVED** effective March 1, 2005.

Yes: All-5  
No: None  
Absent: Schilling, Broomfield

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.



## 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:

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

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

| COMPANY           | SCORE |
|-------------------|-------|
| Doeren Mayhew     | 66    |
| The Rehmann Group | 51    |

### 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
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**AUDIT SERVICES  
SELECTION PROCESS**

**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>       |

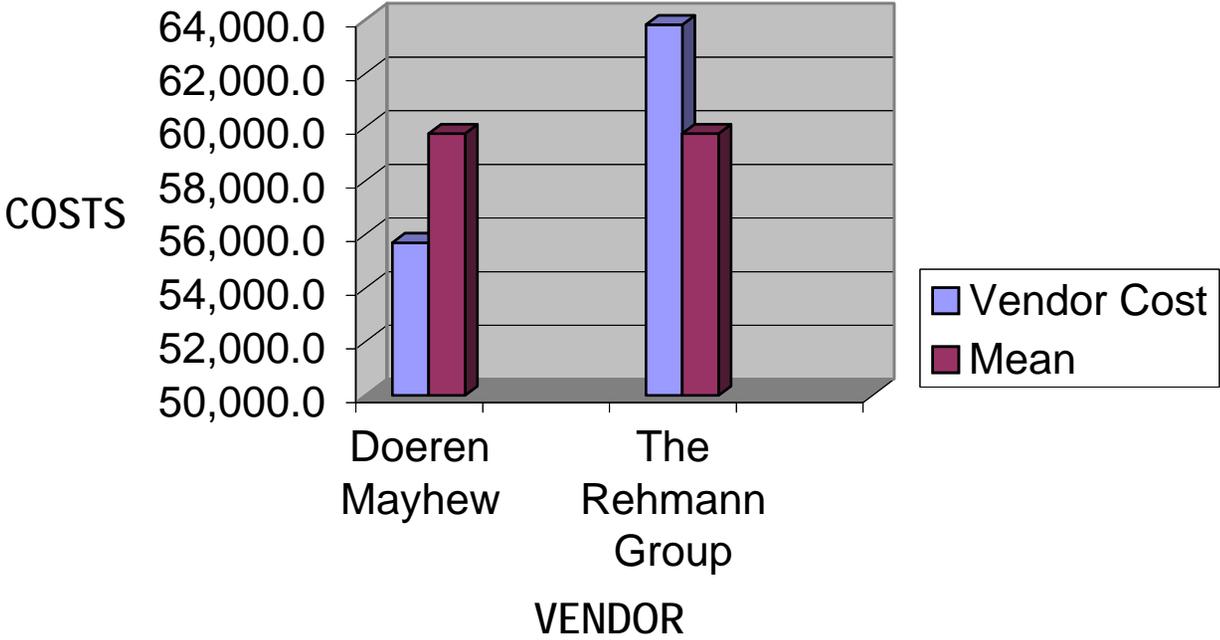
INTERVIEW SCORING:

|                     |           |           |           |                   |
|---------------------|-----------|-----------|-----------|-------------------|
| <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<br>Price Score<br>40% of Total | Score<br>Weighted Score<br>30% of Total | Score<br>Interview Score<br>20% of Total | FINAL<br>SCORE<br>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<br>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 |
|---------------|-------------------|

**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 |
|---------------------|--------|-----|-----|

**PROPOSAL A: City of Troy Audit**

All-Inclusive Maximum Price for 2005 Audit

|                     |              |              |
|---------------------|--------------|--------------|
| <b>Annual Cost:</b> | \$ 45,840.00 | \$ 57,000.00 |
|---------------------|--------------|--------------|

|                              |        |     |     |
|------------------------------|--------|-----|-----|
| Staff - Hours & Hourly Rates | Y or N | YES | YES |
|------------------------------|--------|-----|-----|

|                                 |              |          |
|---------------------------------|--------------|----------|
| Federal Programs - Annual Cost: | \$ 3,585.000 | INCLUDED |
|---------------------------------|--------------|----------|

|                         |      |      |
|-------------------------|------|------|
| Out of Pocket Expenses: | None | None |
|-------------------------|------|------|

**PROPOSAL B: Downtown Development**

All-Inclusive Maximum Price - DDA Audits for 2005

|                     |             |             |
|---------------------|-------------|-------------|
| <b>Annual Cost:</b> | \$ 2,345.00 | \$ 3,070.00 |
|---------------------|-------------|-------------|

|                         |      |      |
|-------------------------|------|------|
| Out of Pocket Expenses: | None | None |
|-------------------------|------|------|

|                             |        |     |     |
|-----------------------------|--------|-----|-----|
| Staff - Hours & Hourly Rate | Y or N | YES | YES |
|-----------------------------|--------|-----|-----|

**PROPOSAL C: Brownfield Redevelopment**

All-Inclusive Maximum Price - BRA Audits for 2005

|                     |             |             |
|---------------------|-------------|-------------|
| <b>Annual Cost:</b> | \$ 1,950.00 | \$ 1,800.00 |
|---------------------|-------------|-------------|

|                             |        |     |     |
|-----------------------------|--------|-----|-----|
| Staff - Hours & Hourly Rate | Y or N | YES | YES |
|-----------------------------|--------|-----|-----|

|                         |      |      |
|-------------------------|------|------|
| Out of Pocket Expenses: | None | None |
|-------------------------|------|------|

**PROPOSAL D: Local Development Authority**

All-Inclusive Maximum Price - Smart Zone Audits for 2005

|                     |             |             |
|---------------------|-------------|-------------|
| <b>Annual Cost:</b> | \$ 1,975.00 | \$ 1,950.00 |
|---------------------|-------------|-------------|

|                             |        |     |     |
|-----------------------------|--------|-----|-----|
| Staff - Hours & Hourly Rate | Y or N | YES | YES |
|-----------------------------|--------|-----|-----|

|                         |      |      |
|-------------------------|------|------|
| Out of Pocket Expenses: | None | None |
|-------------------------|------|------|

|                               |              |              |
|-------------------------------|--------------|--------------|
| <b>ESTIMATED GRAND TOTAL:</b> | \$ 55,695.00 | \$ 63,820.00 |
|-------------------------------|--------------|--------------|

|                   |          |     |     |
|-------------------|----------|-----|-----|
| <b>INSURANCE:</b> | Can Meet | YES | YES |
|-------------------|----------|-----|-----|

|             |  |  |  |
|-------------|--|--|--|
| Cannot Meet |  |  |  |
|-------------|--|--|--|

|               |       |       |
|---------------|-------|-------|
| <b>TERMS:</b> | BLANK | BLANK |
|---------------|-------|-------|

|                    |       |       |
|--------------------|-------|-------|
| <b>EXCEPTIONS:</b> | BLANK | BLANK |
|--------------------|-------|-------|

|                         |        |     |     |
|-------------------------|--------|-----|-----|
| <b>ACKNOWLEDGEMENT:</b> | Y or N | YES | YES |
|-------------------------|--------|-----|-----|

**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