

# Memorandum



CITY OF DALLAS

DATE May 15, 2015

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),  
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Upcoming Agenda Item: External Auditing Service Contract Award

On April 20, 2015, the Budget, Finance and Audit Committee conducted interviews for external auditing services. The following are the results of the overall evaluation.

## **Background**

The City Charter (Chapter III, Section 19) requires an annual independent audit of the City's financial statements, related records and accounts by a firm registered with the Texas State Board of Public Accountancy. The Single Audit Act of 1996, as amended, also requires an audit of grantees who have received federal grants exceeding certain thresholds.

The Auditing Services contract is unique with the selection and award of the contract being solely made by the City Council. The process of selection includes all standard City notification processes followed by the final recommendation for award being made by the Budget Finance and Audit Committee.

## **Results**

At the conclusion of the April 20th Committee meeting, ranking forms were provided to all Committee members. Business Development and Procurement Services staff requested Best and Final Offers from all five firms. This process provides the firms the ability to modify their initial proposal, including pricing. The chart attached shows the ranking tabulation incorporating all of the evaluation criteria.

Based on the summary ranking, Grant Thornton, LLP is the most advantageous proposer. In anticipation of Grant Thornton, LLP participating in the process, the City included the below listed language in the contract to address audit partner rotation if recommended by the Budget, Finance and Audit Committee:

## **XII. Relationship with Current Audit Firm**

The City Council awarded a three-year contract to Grant Thornton LLP in 2007 to perform the audits for the City's fiscal years 2007, 2008 and 2009. In 2009, the City awarded a new three-year contract with two one-year renewals, which were subsequently approved, for fiscal years 2010 – 2014. The current firm is eligible to submit a response to this RFCSP, contingent upon current audit partner rotation off of the engagement beginning with the fiscal year 2015 audit and continuing for the remainder of the engagement.

Grant Thornton, LLP has indicated they will have new lead engagement and quality review partners for the City upon approval of the contract. Grant Thornton, LLP has proposed to utilize a diverse team of sub-contractors to provide auditing services. Their overall planned M/WBE participation for this contract is 36.3% utilizing the following firms: Serna & Company, PC, Hopkins & Associates, Logan & Associates, P.C., and Owens & Thurman, P.C.

Based on the results of the evaluation, an action item will be on the Council's June 10, 2015 agenda authorizing a five year service contract for Auditing Services with Grant Thornton, LLP in an amount not to exceed \$4,459,678. Funding will be provided as follows:

Current funds	\$ 4,069,454
Capital projects funds for services related to bond offerings	\$35,571
Dallas Water Utilities for services related to bond offerings	\$35,571
Tax Increment Financing Zones	\$103,000
Aviation fund for the audit of Passenger Facilities Charges	\$45,130
Convention Center Hotel Development Corp.	\$114,675
Love Field Airport Modernization Corp.	\$56,277

Please let me know if you need additional information.

  
Jeanne Chipperfield  
Chief Financial Officer

#### Attachment

c: Honorable Mayor and Members of City Council  
A.C. Gonzalez, City Manager  
Warren M.S. Ernst, City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager  
Joey Zapata, Assistant City Manager  
Mark McDaniel, Assistant City Manager  
Eric D. Campbell, Assistant City Manager  
Sana Syed, Public Information Officer  
Elsa Cantu, Assistant to the City Manager

	Pricing	Prior Governmental Auditing Experience	Qualifications	Audit Approach	BID	Total Score	RANK	Original First Year Cost (1)	BAFO First Year Cost (1)	Maximum Proposed Annual Increase
Maximum Points	30	20	20	15	15					
<b>Grant Thornton</b>						93.10	1	\$850,000	\$840,000	3%
Average Score	28.10	19.20	17.60	13.20	15.00					
<b>KPMG</b>						91.20	2	\$909,500	\$882,000	5%
Average Score	26.80	18.40	18.40	12.60	15.00					
<b>Crowe Horwath</b>						81.00	3	\$846,500	\$788,000	CPI
Average Score	30.00	13.60	12.80	9.60	15.00					
<b>BKD CPA's</b>						77.20	4	\$857,750	\$832,000	2%
Average Score	28.40	12.80	12.00	9.00	15.00					
<b>McConnell &amp; Jones</b>						69.60	5	\$1,015,300	\$862,750	3%
Average Score	27.40	9.60	10.40	7.20	15.00					

(1) Excludes the Employees' Retirement Fund which must independently approve the award of its component of the contract.