City Of Newton

Financial Audit Advisory Committee

Accounting and Audit Sub-committee Report

Wednesday, June 27, 2018

Present: Tony Logalbo (Chair), David Spector, and Chris Markiewicz
Also present: Sue Dzikowski (Comptroller) and Nick Read (Chief Procurement Officer)

The current contract for the external auditor expires at the end of this calendar year. The Accounting & Audit Sub-committee is charged with developing a draft Request for Proposals (RFP) for Independent Financial Audit Services for a new five-year term..

Chief Procurement Officer Nick Read joined the Committee and explained that certified public accounting services are exempt from Massachusetts General Law Chapter 30B, which relates to the process of procurement. Therefore, the Sub-committee does not have to use the requirements set out in Chapter 30B The Sub-committee could use either invitation for bids or the RFP process. The Sub-committee agreed to go with the traditional RFP process, which allows the City to award the contract to the firm that it believes is the most qualified.

The Comptroller will submit a bid request for the RFP. The Chief Procurement Officer will issue the RFP and send an invitation to respond to the RFP to a list of audit firms via e-mail. The Purchasing Department also advertises the RFP in the Central Register.

Once the City receives responses to the RFP, a group will be assigned to evaluate the responses. All of the RFP responders will provide the City with a technical and a price proposal. The evaluators receive the technical responses and the Chief Procurement Officer holds onto the sealed price proposal. The Chair will work with Mr. Read to develop minimum criteria, comparative criteria, competitive criteria and interview questions. At a minimum, the respondents must meet the minimum criteria in order to be considered for an interview. After review of the technical proposals, evaluators will determine which respondents to interview. The evaluators will ask a fixed set of questions during the interviews for the external auditor and score firms based on their responses. Mr. Read will provide the evaluators with scoring sheets.

Once the evaluators interview the chosen firms, they rank the firms. When the evaluators have completed the rankings, Mr. Read opens the price proposals and provides the price proposals to the evaluators, who do a final ranking. If the evaluators do not choose the lowest bidder, a memo explaining why the evaluators did not choose the lowest bidder should be submitted to Mr. Read. Once a firm is selected, the evaluators check the references of the

selected firm. The attached Purchasing Department's guidelines for RFP evaluators provide further details on the RFP evaluation process.

The Financial Audit Advisory Committee will rank the firms and have the references checked of the top firm if there is a clear first choice; however, if there is not a clear top choice, the Committee will check the references of the top firms and make a selection.

The next steps include updating the RFP language, submitting the bid request form to the Purchasing Department and working with Councilor Gentile, the Chair of the Financial Audit Advisory Committee and Finance Committee, to determine the makeup of the evaluators for the RFP. The goal is to have a signed contract with an external auditor by January 2019. A schedule for the selection of the external auditor is attached.

Respectfully submitted,

Tony Logalbo, Chair

3/17/2016

GUIDELINES FOR RFP EVALUATORS

You have been asked to be an Evaluator of non-price proposals submitted to the City in accordance with a M.G.L. c.30B, §6 request for proposals (RFP).

Non-price proposal evaluations must be based solely on the criteria set forth in the RFP. The non-price proposal evaluator(s) must examine each proposal to determine whether it meets all of the proposal submission and quality requirements specified in the RFP. Any proposal that fails to comply with these requirements for responsiveness and responsibility must be eliminated from the competition.

Each Evaluator shall be given as many evaluation sheets as there are responsive proposals on which to record the Evaluator's determinations.

Proposal evaluations must be in writing.

First, evaluators must specify in writing a rating of "highly advantageous," "advantageous," "not advantageous," or "unacceptable" corresponding to each comparative evaluation criterion set forth in the RFP. Each Evaluator should prepare his or her own rating for each comparative evaluation criterion. Evaluators must also state in writing the reasons for each rating.

Second, the Evaluators must specify in writing an overall composite rating to each proposal and the reasons for the rating. Taking the ratings for each comparative evaluation criterion into consideration, the Evaluator must assign each proposal a composite rating and state in writing the reasons for the rating. Each composite rating must rationally reflect the underlying ratings for each criterion. For example, a proposal receiving "advantageous" ratings for all comparative criteria likely would not warrant a "highly advantageous" composite rating. Each Evaluator should prepare his or her own composite rating.

The Evaluators' written explanation of each rating is the place to provide further information on the proposal characteristics to help guide the CPO in the final selection. Is the proposal vastly superior to all others for this criterion and, therefore, worth a substantial cost premium? What attributes of a proposal makes it warrant a "highly advantageous" composite rating? How does it compare to other "highly advantageous" proposals? For example, if a "highly advantageous" proposal is only marginally better than those rated "advantageous," such information should be communicated on the evaluation sheet to the decision-maker (i.e., the CPO or person with authority delegated by the CPO). The more qualitative information provided in the written explanations accompanying the proposal ratings, the better equipped the decision-maker will be to weigh those ratings against the proposal prices to identify the most advantageous proposal overall.

(With one exception, the evaluators' ratings may not be conditioned on negotiating changes to the proposal. The exception applies if you have required proposers to submit a plan for providing the supplies or services.)

CITY OF NEWTON, MASSACHUSETTS

FINANCIAL AUDIT SERVICES

SCHEDULE FOR SELECTION OF PUBLIC ACCOUNTING FIRM

TO PERFORM THE ANNUAL FINANCIAL AUDIT

- Finalize Request for Competitive Proposal Document – August 2018
- Issue Request for Competitive Proposals Document – September 1, 2018
- Docket item before City Council for Selection of Independent Financial Auditor for the next five year period – September 17, 2018
- Audit Services Proposals Due – October 1, 2018
- Distribution of Audit Services Proposals to Finance Committee & Financial Audit Advisory Committee – October 2, 2018.
- Finance Committee/Financial Audit Advisory Committee Interviews – Week of October 22, 2018 (tentative)
- Finance Committee vote on recommended audit firm to full City Council – November 26, 2018
- City Council vote to select audit firm – December 3, 2018
- Engagement letter/contract signing – January 2019
- Preliminary audit work begins – April/May 2019
- Final audit work begins – September 2019

07/13/18