

## **MEMORANDUM**

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August 26, 2009

TO: Honorable Mayor and City Commission

VIA: Judith Delmar, City Manager<sup>jhd</sup>

FROM: Dorothy Pendergrass, Finance Director

RE: Auditing Services Agreement and Audit Engagement Letter

SYNOPSIS: Acceptance of the proposal submitted by Purvis Gray & Company, LLP will provide for professional auditing services for fiscal year ending September 30, 2009, with the option to renew for four additional years.

### **RECOMMENDATION**

The Audit Selection Committee recommends that the City Commission execute an agreement with Purvis Gray & Company, LLP for professional auditing services.

Pursuant to the recommendation of the Audit Selection Committee, staff recommends that the City Commission take the following actions:

- 1) Authorize the City Manager to execute the Auditing Service Agreement between the City of Lake Wales and Purvis Gray & Company, LLP., after approval by the City Attorney; and ,
- 2) Approve the Auditing Engagement Letter submitted by Purvis Gray & Company, LLP for the City's financial statements for Fiscal Year Ending September 30, 2009.

### **BACKGROUND**

On July 7, 2009, the City Commission approved issuance of a request for proposal for professional auditing services. On August 4, 2009, in compliance with state statute 218.391, the City of Lake Wales established an audit committee. The primary purpose of the audit committee is to assist the governing body in selecting an auditor to conduct the annual financial audit. The Audit Selection Committee met on August 25, 2009 to:

- 1) Evaluate proposals provided by qualified firms.
- 2) Rank and recommend in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services after considering the factors established within the RFP.

The audit selection committee members who evaluated the firms were:

- 1) Commissioner Lee A. Wheeler, III
- 2) Linda Kimbrough, Board Member of General Employee Pension Plan
- 3) Robert Kelly, Board Member of the Airport Authority
- 4) Bridget Denihan, Accounting Manager

The audit selection committee ranked the top three firms as follows:

- 1) Purvis Gray & Company LLP
- 2) Crown Howarth
- 3) James Moore & Co

The audit selection committee recommends awarding the auditing services agreement to Purvis, Gray & Company, LLP. Evaluation included the following factors:

- 1) The firm's experience/performance on comparable government engagements (20 points),
- 2) Quality of the firm's professional personnel to be assigned to engagement (20 points),
- 3) Price quote for service (20 points), adequacy of audit approach (20 points),
- 4) Approach to the management letter (10 points), and
- 5) Familiarity with Certificate of Achievement in Financial Reporting (10 points)

A total of 100 points was possible from each evaluator with an aggregate possible evaluation score of 400 points for each firm.

Mr. Joseph Welch of Purvis, Gray & Company has provided an Audit Engagement Letter for the fiscal year ending September 30, 2009. The letter provides a detailed description of the services that will be provided through the audit process.

The Auditing Service Agreement is for a period of five years. The agreement may be terminated at will by the City at any time by giving thirty (30) days written notice thereof or at the end of any year by refusing to sign the succeeding years' annual engagement letter. The Auditors may terminate the Agreement at the end of any year by simply refusing to sign the succeeding years' annual engagement letter.

#### **FISCAL IMPACT**

The all-inclusive maximum fee for the City audit report and interim work will not exceed \$67,000 for 2008/2009 audit. The next four years have all-inclusive maximum price options of:

2009/2010	\$ 69,000
2010/2011	71,100
2011/2012	73,200
2012/2013	75,400

The \$67,000 proposed fee for 2008/2009 represents a 26.4% decrease (\$24,020) in comparison to the 2007/2008 audit fees of \$91,020, which was charged for performing five separate audits. This does not include a discount of \$2,225; actual fees original were projected as \$93,245.

The \$67,000 proposed fee for 2008/2009 represents a 31.8% decrease (\$31,240) in comparison to the projected 2008/2009 fees of \$98,240, which were expected to be charged prior to the request for proposals and consolidation of the five separate audits.

#### **ATTACHMENT**

Audit Selection Committee – Ranking Totals – Professional Auditing Services

City of Lake Wales

Ranking Totals - Professional Auditing Services

Ranking Order	Bridget Denihan	Robert Kelley	Linda Kimbrough	Alex Wheeler
First Ranked Firm:	Cherry, Bekaert & Holland 92	Purvis Gray & Company 83	Purvis Gray & Company 97	Cherry, Bekaert & Holland 100
Second Ranked Firm:	Purvis Gray & Company 90	Crown Howarth 77	Crown Howarth 94	James Moore & Co 100
Third Ranked Firm:	CPA Group 88	James Moore & Co 60	Cherry, Bekaert & Holland 93	Moore, Stephens, Lovelace 90
Fourth Ranked Firm:	James Moore & Co 85	Moore, Stephens, Lovelace 58	Moore, Stephens, Lovelace 90	Purvis Gray & Company 95
Fifth Ranked Firm:	McDermitt, Davis & Company 80	McDermitt, Davis & Company 44	NCT Group 86	Crown Howarth 85
Sixth Ranked Firm:	Moore, Stephens, Lovelace 75	CPA Group 43	CPA Group 85	CPA Group 85
Seventh Ranked Firm:	Crown Howarth 72	NCT Group 41	McGladrey & Pullen 84	NCT Group 80
Eight Ranked Firm:	Brynjulfson CPA 68	Cherry, Bekaert & Holland 38	McDermitt, Davis & Company 84	McGladrey & Pullen 80
Ninth Ranked Firm:	Averett, Warmus, Durkee 65	Averett, Warmus, Durkee 38	James Moore & Co 83	McDermitt, Davis & Company 80
Tenth Ranked Firm:	NCT Group 58	Brynjulfson CPA 36	Averett, Warmus, Durkee 80	Averett, Warmus, Durkee 70
Eleventh Ranked Firm:	McGladrey & Pullen 55	McGladrey & Pullen 28	Brynjulfson CPA 79	Brynjulfson CPA 65

Firms	Ranking Total
Purvis Gray & Company	365
Crown Howarth	328
James Moore & Co	328
Cherry, Bekaert & Holland	323
Moore, Stephens, Lovelace	313
CPA Group	301
McDermitt, Davis & Company	288
NCT Group	265
Averett, Warmus, Durkee	253
Brynjulfson CPA	248
McGladrey & Pullen	247

Name of Community:	CITY OF LAKE WALES, POLK COUNTY, FLORIDA
Name of Person Ranking Firms:	Bridget Denihan
Proposal Ranking Sheet Due:	August 21, 2009, 2:00 P.M. Finance Director
Date of Selection Committee:	August 25, 2009, 12:00 P.M. City Manager Conference Room

EVALUATION FACTORS	Possible Point In Rank Weight	Averett Warmus Durfee	Brynjulfson CPA, P.A.	Cherry Bekkert & Holland	CPA Group	Crown Horwath	James Moore & Co	McDermitt, Davis & Company	McGladrey & Pullen	Moore Stephens Lovelace, P.A.	NCT Group	Purvis Gray & Company
Experience/performance on comparable government engagement.	20	10	10	20	14	15	15	15	15	12	10	20
Quality of firm's professional personnel to be assigned to engagement.	20	12	10	20	10	15	20	15	10	20	15	15
Price quote for service.	20	10	10	12	12	12	12	15	10	20	18	20
Adequacy of audit approach.	20	18	20	20	20	15	18	20	15	20	18	20
Approach to the Management L	10	5	10	10	8	5	10	5	5	5	5	5
Familiarity with Certificate of Achievement in Financial Reporting.	10	10	8	10	10	10	10	10	10	10	10	10
Ranking Total	100	65	68	92	88	72	85	80	55	75	58	90

Provide a listing of firms by descending "Ranking Total". Firms should be listed by the firm you would choose first under "First Ranked Firm" and descending order based on "Ranking Total". All eleven firms must be listed within ranking order.

First Ranked Firm:	CHERRY BEKERT HOLLAND
Second Ranked Firm:	PURVIS GRAY
Third Ranked Firm:	CPA GROUP
Fourth Ranked Firm:	JAMES MOORE & CO
Fifth Ranked Firm:	MCDERMITT, DAVIS & CO
Sixth Ranked Firm:	MOORE, STEPHENS, LOVELACE
Seventh Ranked Firm:	CROWN HORWATH
Eighth Ranked Firm:	BRYNJULFSON CPA
Ninth Ranked Firm:	AVERETT WARMUS, DURKEE
Tenth Ranked Firm:	NCT GROUP
Eleventh Ranked Firm:	MCGLADREY & PULLEN

Proposed Ranked by: Bridget Denihan  
Signature

Ranking Converted by: Dorothy Fendrigress  
Signature

Instructions:

- 1) Audit Committee members need to provide a completed and signed "Proposal Ranking Sheet" to the Finance Director by 2:00 P.M., August 21, 2009.
- 2) The Finance Director shall convert proposal ranking sheets into a summary worksheet by August 24, 2009, based on ranking points. The summary worksheet shall be provided at the August 25, 2009 Audit Committee meeting.
- 3) Audit Committee members shall be provided a copy of all proposed ranking sheets and the summary sheet at the 12:00 P.M. August 25, 2009 meeting located in the City Manager Conference Room.
- 4) The Audit Committee, after discussion and review of proposed ranking sheets, shall recommend in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services.
- 5) The Finance Director shall complete an agenda item for September 9th City Commission meeting, based on the recommendation of the Audit Committee.

Name of Community:	CITY OF LAKE WALKER, POLK COUNTY, FLORIDA
Name of Person Ranking Firms:	Robert Kelly
Proposal Ranking Sheet Due:	August 21, 2009, 2:00 P.M. Finance Director
Date of Selection Committee:	August 25, 2009, 12:00 P.M., City Manager Conference Room

EVALUATION FACTORS	Possible Point In Rank Weight	Averett Warmus Durkee	Brynjulfson CPA, P.A.	Chery Belkaert & Holland	CPA Group	Crown Horwath	James Moore & Co	McDermitt, Davis & Company	McGladrey & Pullen	Moore Stephens Lovelace, P.A.	NCT Group	Furvis Gray & Company
Experience/performance on comparable government engagement.	20	8	6	6	6	16	12	8	5	14	8	17
Quality of firm's professional personnel to be assigned to engagement.	20	8	6	6	6	14	12	8	5	12	8	16
Price quote for services.	20	7	8	8	8	16	14	10	6	10	7	18
Adequacy of audit approach.	20	8	8	8	8	16	14	10	6	10	7	18
Approach to the Management/L	10	4	4	4	4	8	6	4	3	5	4	8
Familiarity with Certificate of Achievement in Financial Reporting.	10	4	4	4	4	8	6	4	3	5	4	8
Ranking Total	100	38	36	38	43	77	60	44	28	58	41	83

Provide a listing of firms by descending "Ranking Totals". Firms should be listed by the firm you would choose first under "First Ranked Firm" and descending order based on "Ranking Total". All eleven firms must be listed within ranking order.

First Ranked Firm:	PERY'S GRAY & COMPANY
Second Ranked Firm:	CROWN HORWATH
Third Ranked Firm:	JAMES MOORE & CO.
Fourth Ranked Firm:	MOORE STEPHENS LOVELACE P.A.
Fifth Ranked Firm:	MCDERMITT, DAVIS & CO.
Sixth Ranked Firm:	CPA GROUP
Seventh Ranked Firm:	NCT GROUP
Eighth Ranked Firm:	CHERRY BELKAERT & HOLLAND
Ninth Ranked Firm:	BYERLETT WARMUS DURKEE
Tenth Ranked Firm:	BRYNJULFSON CPA PA
Eleventh Ranked Firm:	McGLADREY & PULLEN

Proposal Ranked by: Robert B. Kelly  
Signature  
Ranking Converted by: Dorothy Pendegrass  
Dorothy Pendegrass

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- 5) The Finance Director shall complete an agenda item for September 9th City Commission meeting, based on the recommendation of the Audit Committee.

Name of Community:	CITY OF LAKE WALKER, POLK COUNTY, FLORIDA
Name of Person Ranking Firm:	Linda Kimbrough
Proposed Ranking Sheet Due:	August 21, 2009, 2:00 P.M. Finance Director
Date of Selection Committee:	August 25, 2009, 12:30 P.M. City Manager Conference Room

EVALUATION FACTORS	Possible Point in Rank Weight	Averett Warmus Durkee	Brynjulison CPA, P.A.	Cheery Becker & Holland	CPA Group	Crown Horwath	James Moore & Co	McDermitt, Davis & Company	McGuirey & Pullen	Moore Stephens Lovelace, P.A.	NCT Group	Purvis Gray & Company
Experience/performance on comparable government engagement.	20	16	16	20	19	19	18	15	20	18	18	18
Quality of firm's professional personnel to be assigned to engagement.	20	17	14	18	19	18	17	16	17	17	20	20
Price quote for service.	20	12	13	17	10	17	18	18	11	14	10	20
Adequacy of audit approach.	20	15	18	18	17	20	14	17	11	17	18	19
Approach to the Management	10	10	10	10	10	10	10	10	10	10	10	10
Familiarity with Certificate of Achievement in Financial Reporting.	10	10	8	10	10	10	6	8	10	10	10	10
Ranking Total	100	80	79	93	85	94	83	84	87	90	86	97

Provide a listing of firms by descending "Ranking Totals". Firms should be listed by the firm you would choose first under "First Ranked Firm" and descending order based on "Ranking Total". All eleven firms must be listed within ranking order.

First Ranked Firm:	Purvis Gray & Company
Second Ranked Firm:	Crown Horwath
Third Ranked Firm:	Cherry Becker & Holland
Fourth Ranked Firm:	Moore Stephens Lovelace, PA
Fifth Ranked Firm:	NCT Group
Sixth Ranked Firm:	CPA Group
Seventh Ranked Firm:	McGladrey & Pullen
Eighth Ranked Firm:	McDermitt Davis & Company
Ninth Ranked Firm:	James Moore & Co
Tenth Ranked Firm:	Averett Warmus Durkee
Eleventh Ranked Firm:	Brynjulison, CPA, P.A.

Proposed Ranking by:   
Signature  
Ranking Converted by:   
Dorothy Pendergrass

Instructions:

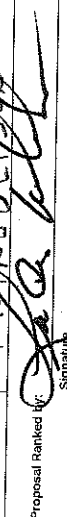

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Name of Community: CITY OF LAKE WILES, POLK COUNTY, FLORIDA  
 Name of Person Ranking Firms: Alex Wheeler  
 Proposal Ranking Sheet Due: August 21, 2009 2:00 P.M. Finance Director  
 Date of Selection Committee: August 25, 2009, 12:00 P.M., City Manager Conference Room

EVALUATION FACTORS	Possible Point in Rank Weight	Averett Warmus Durkee	Byrjulfson CPA, P.A.	Cherry Bekaert & Holland	CPA Group	Crown Horwath	James Moore & Co	McDermitt, Davis & Company	McGladrey & Pullen	Moore Stephens Lovelace, P.A.	NCT Group	Purvis Gray & Company
Experience/performance on comparable government engagement.	20	15	15	20	20	20	20	20	20	20	20	20
Quality of firm's professional personnel to be assigned to engagement.	20	20	10	20	10	20	20	20	20	20	20	20
Price quote for service.	20	10	10	20	20	20	20	20	5	20	5	20
Adequacy of audit approach.	20	15	15	20	15	15	20	20	20	15	15	20
Approach to the Management	10	0	10	10	10	10	10	5	5	5	5	5
Familiarity with Certificates of Achievement in Financial Reporting.	10	10	5	10	10	0	10	5	10	10	10	10
Ranking Total	100	70	65	100	85	75	100	80	80	90	80	95

Provide a listing of firms by descending "Ranking Totals". Firms should be listed by the firm you would choose first under "First Ranked Firm" and descending order based on "Ranking Total". All eleven firms must be listed within ranking order.

- First Ranked Firm: ① CHERRY BEKAERT
- Second Ranked Firm: ② JAMES MOORE & CO
- Third Ranked Firm: ~~PURVIS GRAY & COMPANY~~ ③ MOORE STEPHENS
- Fourth Ranked Firm: ~~CHERRY BEKAERT~~ PURVIS GRAY ④
- Fifth Ranked Firm: ⑤ CROWN HORWATH
- Sixth Ranked Firm: CPA GROUP
- Seventh Ranked Firm: NCT GROUP
- Eighth Ranked Firm: MCGLADREY & PULLEN
- Ninth Ranked Firm: MCDERMITT
- Tenth Ranked Firm: AVERETT WARMUS
- Eleventh Ranked Firm: BYRJULFSON

Proposal Ranked by:   
 Ranking Converted by:   
 Dorothy Pendergrass

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