



**CITY OF BOULDER
CITY COUNCIL AGENDA ITEM**

MEETING DATE: October 20, 2015

AGENDA TITLE: Consideration of a resolution appointing the external audit firm of **CliftonLarsonAllen LLP** to examine the financial accounts of the City of Boulder for the year ending December 31, 2015.

PRESENTER/S

Jane S. Brautigam, City Manager
Bob Eiche, Chief Financial Officer
Cheryl Pattelli, Director of Finance
Duane Hudson, Controller
Ron Gilbert, Assistant Controller
Frances Holland, Senior Accountant

EXECUTIVE SUMMARY

By law, the City Council is required to appoint an auditor to make a thorough and complete annual examination and audit of all the financial accounts of the City, as summarized in the Comprehensive Annual Financial Report (CAFR). This independent auditor also reports and makes recommendations regarding the results of that examination, as communicated in the audit management letter. BKD, LLP has been the City's independent auditors for the last four fiscal years. At the conclusion of the 2014 engagement, BKD, LLP informed City staff they will not be exercising the final year of their optional renewal to perform the 2015 financial audit. This is due to the City's new financial system that went active January 1, of 2015. This new system will require a major increase in audit time required during the implementation year 2015. BKD, LLP would not be able to recover these additional costs over the one remaining year left on their contract without a major increase in the audit cost. Whereas, an audit firm starting with a five year renewable contract could spread these additional costs out over the five years and keep the costs reasonable. After discussing this topic, the City Council Audit Committee requested that staff issue a request for proposal for auditing services starting with fiscal year 2015.

A request for proposal for audit services was issued by staff for the five-year period starting with 2015 and ending in with fiscal year 2019. If Council desires the agreement would be renewed annually by the City Council. Eight firms responded with formal proposals. With the assistance of an interview committee, the City Council Audit Committee evaluated the proposals and made a recommendation for the appointment of **CliftonLarsonAllen LLP** for the next five years. Please see Attachment B for resolution appointing external auditors.

To prevent obligation of a future council to current decisions, the appointment of the city's auditor will be renewed by resolution annually.

STAFF RECOMMENDATION

Suggested Motion Language:

The 2015 City Council Audit Committee requests council consideration of this matter and action in the form of the following motion:

Motion to adopt a Resolution accepting the firm **CliftonLarsonAllen LLP** as the City's independent auditors for the years ending December 31, 2015 to 2019, subject to annual appropriation and approval.

COMMUNITY SUSTAINABILITY ASSESSMENTS AND IMPACTS

- Economic - The City is required by the City's bond ordinances and many different governmental agencies to have an audit of its various grant programs. The proposed audits are planned as a combined "single audit" designed to satisfy all requirements. Failure to have an audit would be a violation of bond requirements and can negatively impact future grant eligibility of the city as well.
- Environmental – The accounting firm will be utilizing paperless audit technology products greatly reducing the need for printed copies of work papers and spreadsheets. .
- Social - There are no direct social implications of accepting the firm of **CliftonLarsonAllen LLP** as the city's auditors.
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OTHER IMPACTS

- Fiscal – The proposed fee by **CliftonLarsonAllen LLP** for the 2015 audit is **\$70,945** and has already been factored into the city budget.
- Staff time - Staff time for this process is included in the Finance Department's regular annual work plan.

BOARD AND COMMISSION FEEDBACK

In 2015, after discussion and consideration of the proposals and input from the auditor interview committee, the City Council Audit Committee recommended appointment of **CliftonLarsonAllen LLP** as the city's independent auditors for the five year engagement ending December 31, 2019, subject to annual appropriation and approval of the City Council.

BACKGROUND

On August 13, 2015, a direct solicitation for audit proposals was published on Rocky Mountain E-Purchasing System which automatically sent an email notice to all firms registered with this service. The RFP was downloaded by 19 firms. A direct link to the RFP on the Rocky Mountain E-Purchasing System website was published as well on the City's website. The request for proposals sought audit services for the next five years renewable on an annual basis by the City Council. The five-year time period is considered the norm per the Government Finance Officers Association's (GFOA) recommended audit procurement practice. The current auditors, BKD, LLP, have performed the city's audit for the last four years. It was decided that BKD, LLP would be allowed to submit a proposal. There is no state or federal law, city policy or ordinance that prohibits the current auditor from submitting a proposal. However, the City Council can decide at anytime that it would be best for the city to solicit new independent auditors.

ANALYSIS

The auditor interview committee consisted of Audit Committee member Professor David Frederick, Controller Duane Hudson, Assistant Controller Ron Gilbert and Senior Accountant Frances Holland. The city received seven proposals eligible for consideration. These seven proposals were distributed to the interview committee members for review on Monday, September 14, 2015.

The interview committee met on October 7, 2015 to discuss each of the proposals and to review the qualifications of each firm. The proposals were reviewed and discussed extensively. A matrix was compiled with each committee member rating each firm. Sealed dollar cost bids were opened for only the three highest rated firms based on technical qualifications. (see Attachment A). These firms were selected for interviews based on both qualifications and the bid amounts.

- 1) CliftonLarsonAllen LLP
- 2) Eide Bailly LLP
- 3) Rubin Brown, LLP

The interview committee along with Audit Committee members Macon Cowles and Professor David Frederick met with the firms on October 16. The interviews consisted of a presentation by each company, general questions posed by the interview committee to each firm and additional questions specifically related to each firm's proposal that needed further clarification.

The request for proposal process allows the city to select the audit firm that best meets the needs of the city at a reasonable cost, not necessarily the lowest bid received. This is the process used by the city to select professional service providers where qualifications and experience are very important factors to be considered as well as the cost of the services.

The City of Boulder is a complex audit. There are numerous dedicated funds and programs that need special reviews. The City also receives various grants that have specific auditing requirements for federal purposes. In addition, the financial processes of the city are de-centralized and this requires additional audit time and adequate audit and technical staff who can review and test the electronic internal controls and electronic processes of the city. The requirements that must be met to comply with the pronouncements promulgated by the Governmental Accounting Standards Board become more complicated and time-consuming each year as new requirements come forth.

The proposal from **CliftonLarsonAllen LLP** demonstrated the ability to address the challenges the City of Boulder's audit creates. Their written responses and oral interview highlighted:

- A solid work plan with a reasonable estimate of hours necessary to complete the city's audit.
- Extensive governmental accounting knowledge and experience.
- Strong technical knowledge of the City's new Munis financial system software.
- Indication that the audit partner would be in the field throughout the engagement.
- Indication that the audit quality manager would perform her review in the field as well.
- A fair price.
- Strong communication skills.

After due consideration the interview committee and Audit Committee member's Macon Cowles and Professor David Frederick formally recommends appointment of the firm of **CliftonLarsonAllen LLP** as the City's independent auditors for the years ending December 31, 2015 to 2019, subject to annual appropriation and approval.

ATTACHMENTS :

ATTACHMENT A Audit Proposal Cost Analysis

ATTACHMENT B Resolution

ATTACHMENT A

**CITY OF BOULDER
PROPOSAL FOR AUDIT SERVICES
GRADING MATRIX - SUMMARY**

	<u>CliftonLarsonAllen</u>	<u>Eide Bailly</u>	<u>Rubin Brown</u>
SEALED DOLLAR COST BIDS			
Total Hours Bid			
2015	750	815	825
2016	745	815	700
2017	740	815	700
2018	735	815	700
2019	730	815	700
	<u>3,700</u>	<u>4,075</u>	<u>3,625</u>
Total Hour Bid with 4 Major Programs			
2015	\$ 70,945	\$ 107,150	\$ 99,300
2016	72,853	107,150	96,450
2017	74,804	107,150	99,100
2018	76,797	107,150	101,700
2019	78,835	107,150	104,800
	<u>\$ 374,234</u>	<u>\$ 535,750</u>	<u>\$ 501,350</u>
Total Hour Bid with 2 Major Programs			
2015	\$ 70,945	\$ 90,150	\$ 85,000
2016	72,853	90,150	82,150
2017	74,804	90,150	84,700
2018	76,797	90,150	86,900
2019	78,835	90,150	89,600
	<u>\$ 374,234</u>	<u>\$ 450,750</u>	<u>\$ 428,350</u>

ATTACHMENT B

RESOLUTION NO. 1173

A RESOLUTION APPOINTING THE FIRM OF CLIFTONLARSONALLEN LLP TO EXAMINE THE FINANCIAL ACCOUNTS OF THE CITY OF BOULDER FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015.

WHEREAS, Sections 12 and 105 of the Charter and Chapter 2-2-7 B.R.C., 1981, require the City Council, by resolution, to appoint an auditor, who is a certified public accountant licensed to practice in the State of Colorado and is well informed regarding governmental accounting and auditing; and

WHEREAS, the auditor is required to make a thorough and complete examination and audit of all the financial accounts of the city and report and make recommendations regarding the results of that examination; and

WHEREAS, the City Council Audit Committee has recommended the firm of **CliftonLarsonAllen LLP**

NOW THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF BOULDER, COLORADO, HEREBY APPOINTS THE FIRM CLIFTONLARSONALLEN LLP TO PERFORM THE ANNUAL AUDIT OF THE CITY RECORDS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015.

APPROVED this 20th day of October 2015.

Mayor

ATTEST:

City Clerk on behalf of the
Director of Finance and Record