

**City of Coral Gables City Commission Meeting
Agenda Item H-1
September 13, 2016
City Commission Chambers
405 Biltmore Way, Coral Gables, FL**

City Commission

**Mayor Jim Cason
Commissioner Pat Keon
Commissioner Vince Lago
Vice Mayor Frank Quesada
Commissioner Jeannett Slesnick**

City Staff

**City Manager, Cathy Swanson-Rivenbark
City Attorney, Craig E. Leen
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia
Finance Director/Chief Procurement Officer, Diana Gomez**

Public Speaker(s)

**Michelle Blackstone, Crowe Horwath, LLP
Cheryl Goldstein, Member of Budget/Audit Advisory Board**

Agenda Item H-1 [11:17:02 a.m.]

A Resolution accepting the recommendation of the Chief Procurement Officer to award the Internal Auditing Services contract to Crowe Horwath, LLP, the most responsive-responsible proposer, in the total amount of \$416,120 for a three (3) year period with options to renew, pursuant to Section 2-828 of the Procurement Code entitled "Contract Award" and Request for Proposals (RFP) 2016.06VF; should negotiations fail with the most responsive-responsible proposer, negotiations shall commence with next most responsive-responsible proposer until an agreement and contract amount acceptable to the City has been reached.

Mayor Cason: H-1.

City Manager Swanson-Rivenbark: I'm going to call Diana Gomez forward. This is a process that we have been briefing you for several months. We had the need to evaluate, do you increase

the number of City employees to beef up internal auditing?- or do you go outside and contract with a firm to do internal auditing? We had conversations with University of Miami professors as to where is the state-of-the-art of internal auditing going, but I think one of the most effective things was the conversation with the Budget Advisory Board. You have five appointments, a very talented, knowledgeable team of, some have been internal auditors themselves, and we went to them and talked with them about it. We ultimately hired a firm to do a consultant study on what should we do?- should we increase the number of City employees for internal auditing knowing that the accountability, the importance of internal auditing with your all leadership, or should we go out. We hired a firm that was both an internal auditor and a private firm, conflicted them out so that whatever their recommendations were they would not be able to benefit from those, worked with the Budget Advisory Board on the process. They came back; they presented their recommendations to the Budget Advisory Board. The conclusion was that it is appropriate given the City size, given the need for specialization that it is appropriate for us to go out and hire a firm as our internal auditor, and you'll see in the packet that several cities chose that business model. The Budget Advisory Board together with the City contracted the consultant to help draft an RFP, and also to help us evaluate the submittals; and so the evaluation committee met, three of your five Budget Advisory Board members served on that committee. One person from our office, because Internal Audit reports to the Manager's office, and the consultant helps review; and with that, I'm going to have Diana present. Diana is, not only Finance Director, but she is Chief Procurement Officer, I'm going to have her present the recommendations of the Chief Procurement Officer, which has been endorsed by the consultant, you have a letter in the file, and also the evaluation committee, the Budget Advisory Board has a member here in the audience to answer questions. But we are very committed to a robust internal auditing process, not because we have problems, but because we don't want to have problems, and we are excited with this recommendation.

Finance Director Gomez: So this is a resolution accepting the recommendation of the Chief Procurement Officer to award the Internal Auditing Services contract to Crowe Horwath, LLP, who is the most responsive and responsible proposer. On June 14, 2016, the Procurement Division of Finance formerly advertised, issued, and distributed internal auditing services RFP 2016.06VF. We held a non-mandatory pre-proposal conference; there were seven (7) perspective proposers in attendance. We received on July 14th, we received five (5) proposals, one of which was removed, because they had won the external auditing services award and they can't do both jobs; and then on August 25, 2016, the evaluation committee convened to evaluate the four proposals, and they had presentations at that same time. The committee unanimously recommended Crowe Horwath to serve as, to be recommended as, the City Manager mentioned, the consultant did concur with that recommendation. We have Michelle Blackstone of Crowe Horwath who is here, she can tell you a little bit about their experience and the services they will

provide, as well as Cheryl Goldstein of the Budget and Audit Advisory Committee, who can talk to you a little bit about the process and answer any questions you may have. Michelle.

Ms. Blackstone: Thank you and good morning, I guess we still are, Commissioners, City Manager, and the City Attorney. Thank you very much. I just very quickly wanted to give you a little bit of background about Crowe Horwath LLP. I'm the Senior Manager, again here locally out of the Ft. Lauderdale office. We were founded in 1942, so we've been serving the public for over 70 years; and we started as a small firm up in the northwest, and we've grown to 30 offices and over 3,000 employees throughout the nation, and we are now one of the top ten national firms and we offer both public accounting, consulting, and technology, so we are recognized for all those things. We'd like to explain to our clients that we are not geography based, and that's important to us, because we look at all of our business units and we look at external auditing, internal auditing, performance, and management, and also technology. So we specialize in all of those particular business units, and each of those business units we have 200 individuals in the firm that deeply specialize in just the public sector; and that's exciting for me, because I spent most of 25 plus years in doing nothing but governmental operations, and external auditing and internal auditing, so that's very near and dear to my heart. So we do have a specialization that serves not only governments, but also non-profits, so we bring that deep specialization to the City. In our risk group, which is specifically where our internal audit department will be, we have over 1,000 people dedicated to internal auditing, and we service over 600 clients in that area and it also includes the governmental arena. Very quickly then, I just kind of wanted to share with you some of our specialization in government. We have individuals who are thought leaders at the national level and serve on various committees, including John Webber who would be your servicing partner, who could not be here today, because he had a back injury, and so I'm filling in for him today, thank you for your patience on that. Specifically on your team, your team has been put together not only geographically based, because we do have a dedicated team of government auditors who have also functioned with different municipalities, Coral Springs and also Tarpon Springs in the State of Florida, who services those areas in internal audit. We work with both of those very differently, some of them we work as an extension of their internal audit department, because they do have some dedicated staff, and in the other municipalities, John himself serves as their internal auditor. So we function in both ways, and we can work with your designated liaison and also your Budget and Advisory Committee to gain their understanding, and kind of our approach as to how we go into this and that, when we first come in we have scheduled time, significant staff time in October, so that we can hit the ground running, and we bring in our team to have conversations with you all, and management through interviews to get a risk assessment of the overall plan. We know that you all have kind of laid out some things that you want to see us do and we are certainly going to work within that, but we take the information that we gain, and we look at it on a risk based approach and we bring suggestions as well. If we feel that maybe we need to spend additional time in a certain area,

we'll let you all know that and the Budget Advisory know that; and then when we get in and we have evaluations, and we see that maybe there is a different concern that we hadn't taken into consideration, and we need to spend a little more time there, we will also bring that forward, but we don't want you all just to think of us as internal auditors. We also want to make you aware that we really take seriously that we need to make sure that the City's in compliance with regulations, be it uniform guidance for grant funding, but also following the City's policies and procedures as well as state regulation; and we also want to make sure that you all are following best practices, so we have that information not only on a national level and we can bring in different experts throughout the field in best practices on how to better manage your utility billing as well. So we have a local team for you that's based out of Ft. Lauderdale and Miami, led by me. We also have our deep specialization that will be led by a Senior Manager named Michael and he will do your internal audit risk assessment, as well as deep specialization and operations for the City.

Mayor Cason: Great. Thank you.

Commissioner Keon: Diana can you explain for the public the difference between our financial auditors and an internal audit function, because I think that it's come up often that we have financial auditors that do our financial audit annually, so why do we need another auditor?- and the difference in these types of functions?

Finance Director Gomez: Sure. So the external auditors provide an audit of our financial statements, the Comprehensive Annual Financial Report that is prepared by the Finance Department for the City, and the auditors who are currently...they audit and provide an opinion on the fair presentation of those financial statements, so that is just the audit of the financial statements. The internal audit does more internal processes and compliances with internal controls and program specific audits, process specific audits means...

Commissioner Keon: They'll be operational.

Finance Director Gomez: They will be operational audits of the City to see how the City is doing internally, so that's really the main difference.

Commissioner Keon: It's how we are running our departments, how we are billing, how we are...

Finance Director Gomez: Following controls.

Commissioner Keon:...with safety regulations and all of those, so they are two very distinct entities. Now we know that the financial audits, when they complete the financial audit and you have it through the Manager, the financial auditors are also reported to the Commission. How will this auditing entity, how will we receive that information, how do they connect back to us?

City Manager Swanson-Rivenbark: In the laundry list of things they do, they also do cyber security, we want to make sure that those internal controls are in place. It is my recommendation that at this point they report their findings to the Manager. You'll see on page 30 of their response, the listing of departments that will be reviewed which year, but we present those findings to the Budget and Audit Advisory Board. Now you see that result in the Budget and Audit Advisory Board minutes, and I promise you having been grilled by them, they are very detailed and very committed to serve as your representatives in this process. If you would like to have as a quarterly or once a year, whatever your preference is, we are happy beyond the role that the Budget and Audit Advisory Board, they could present on an occasional basis their findings and where we are. There is a schedule so that every year they will be reviewing different departments for their internal controls, their best practices, the way that they manage cash, and then they will present those findings to me and also to the Budget Advisory Board, Budget and Audit Advisory Board. If you beyond receiving those in your packets through the minutes process, if you would like to have a presentation on those findings, we would be happy to schedule that. The other is, we have great respect for the Budget and Audit Advisory Board, and we would expect them to raise an alarm if they think that any part of the process needs to, if the recommendations are not being addressed, if the process is not being followed, so it is the prerogative of the Commission, because I know, we know how important a robust, high integrity internal auditing process is. As Diana mentioned, the external auditors are with us three months; they check to make sure that we have accurately presented our financial standing, those records are checked with state and national standards, and they write a management letter. The internal auditors are our partners year round, and so while we have a schedule of which departments we would like to have followed of leases, of other types of reviews that need to happen, at any time we can huddle with the Budget and Audit Advisory Board and work with the internal auditor to shift that schedule based on an unseen priority.

Commissioner Keon: I would like to see some formal mechanism as to how that information comes back to us, whether it's – I know you do like the quarterly financial reports, I'd rather you come back to me or to us and talk to us about how often it should come. I mean, I don't know if it's quarterly, maybe not enough, too often. It could be semi-annually that we would receive a report on what is...what the findings are, what are the recommendations, and what has been implemented, but I really do believe that I'm not asking that the external auditor report to the Commission, but I would like all of their findings to be reported to the Commission in the

written format on a regular basis. I don't know whether that is...every three months?- every four months?- every six months?- that I would like for you to be able to tell us.

Mayor Cason: Why don't you make a motion?

Commissioner Keon: Alright. I would like to make a motion that...

City Attorney Leen: Mr. Mayor, if it's OK, when we move the item you'll add that as a condition.

Commissioner Keon: OK. That's fine.

Mayor Cason: In the approval make a motion as to how often...

Commissioner Keon:...that they have to come back to us also. I would really like to recognize Cheryl Goldstein who is my appointee to the Budget Advisory Board. Can you stand up for a minute? Cheryl was an auditor, she is a resident, so I rely on her often for these discussions, and so I would say to her, being knowledgeable in the field and as a resident of this City what do you think people need to know?

Ms. Goldstein: I was very impressed with the process, that the Budget and Audit Advisory Board is a very good vehicle for the Commissioners and the Mayor and the Vice Mayor to have a group citizens who are specialized in the area based upon the knowledge, be involved with the City; and so, I would say, I would agree with you on your recommendation that information be available and the committee was very much in favor of going forward with this, and as the reports have been available to the Commission in the past with the internal auditor, I think that this new firm can apply best practices to what they've seen with other cities, and what works well and we'll get the benefit of that, along with the benefit of their expertise at looking at different processes, and be even essentially more of a consultant and bring more to the City.

Commissioner Keon: Thank you. And I know the reports from the previous internal auditor would be available, but they were never presented to us. If you happen to know what was being audited, if you happen to see the schedule, if you happen to know that a report had been formulated, and if you happen to ask you would get it, but I really think that just like the external audits that internal audits are important enough for us to know what's happening within the administration of the City, that it should be a formalized process as to how information is provided to us.

Ms. Goldstein: And I think that is a good thing, and I think like every six months or annually would probably be a good timeframe.

Commissioner Keon: OK. Thank you. I don't want to overburden you with reporting, but enough that we are informed, and not so much that you spend all your time writing reports.

Ms. Blackstone: Very quickly from our standpoint. We work with our clients in any way that it wants to be. Some we report directly to the Audit Advisory Board Committee and some we report directly to the Commissioner, and we work with them on presenting to them after each and every audit, specific audit that we do, we come back with our communication and our findings. After we have done our thorough due diligence and talked to all the relevant parties to make sure that what we are saying is actually true, and then we can come and support them or they can present to you either way.

Commissioner Keon: OK. Thank you.

Mayor Cason: Why don't you make a resolution then, I mean a motion on this H-1.

City Attorney Leen: So you are going to move the item?

Commissioner Keon: I'd like to move the item as presented and I'd like the Manager to come back on informal reporting mechanism to the Commission on a semi-annual basis.

Mayor Cason: OK. Second?

Commissioner Lago: Second the motion.

Mayor Cason: Commissioner Keon made the motion, Commissioner Lago seconds – City Clerk.

City Attorney Leen: May I add something Mr. Mayor. So in the resolution approving this, they'll be something about that, about the semi-annual and the City Manager is being asked to determine that.

City Manager Swanson-Rivenbark: Together with the Budget and Audit Advisory Board, they are our partners in this process.

Commissioner Keon: Thank you very much.

Mayor Cason: City Clerk.

Commissioner Lago: Yes
Commissioner Slesnick: Yes
Commissioner Keon: Yes
Mayor Cason: Yes
(Vote: 4-0)
(Vice Mayor Quesada: Absent)

[End: 1:37:03 p.m.]