



Report to: General Committee

Date Report Authored: November 09, 2015

SUBJECT: Request for Proposal 110-R-15 Auditor General Services
PREPARED BY: Rosemarie Patano, Senior Construction Buyer, Ext. 2990

RECOMMENDATION:

- 1) THAT the report “Request for Proposal 110-R-15 Auditor General Services” be received;
- 2) And that the Contract for Auditor General Services under Request for Proposal 110-R-15 be awarded to the highest ranked bidder, MNP LLP;
- 3) And that MNP LLP be appointed as the Auditor General for a four year term to a maximum amount limit of \$152,640 (\$150,000 + \$2,640) inclusive of HST;
 - a. \$152,640 – Year 1
 - b. \$152,640 – Year 2
 - c. \$152,640 – Year 3
 - d. \$152,640 – Year 4
- 4) And that the annual amount of \$152,640.00 be funded from the Operating Account #110-110-5699;
- 5) And that the Chief Administrative Officer be authorized to execute an agreement with MNP LLP in a form satisfactorily to the City Solicitor;
- 6) THAT Report “110-R-15 Auditor General Services” be included as part of the November 10th, 2015 Council Meeting agenda;
- 7) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to award the contract for Auditor General Services for a four year term.

BACKGROUND:

The Auditor General role assists Council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in operations. The Auditor General office is an independent, objective assurance activity designed to add value and improve municipal operations. The audit process assists the municipality to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the risk management, control and governance process by carrying out financial control audits, compliance audits, and performance audits focused on the effectiveness and efficiency processes, programs, departments.

In October, 2007 Council approved the appointment of the first person to the position of the Auditor General and on May 26th, 2008 the Auditor General commenced their role at the City of Markham. As of 2010 the position has remained vacant.

In April, 2015 Staff presented an overview to Council, which included survey results of other municipalities as it relates to their Auditor General model and included within this presentation three options for Council to consider.

- Option 1 – In-House model
- Option 2 – Hybrid/Co-Sourced model
- Option 3 – Outsourced model

At this meeting, Staff received authorization to implement Option 3, an outsourced service model for an Auditor General and to retain an Auditor General through a Request for Proposal (RFP) process.

In June 2015, Staff issued an RFP seeking proposals from interested parties to provide the following scope of work requirements / deliverables:

- a. To prepare a four year audit plan based on a comprehensive risk assessment and interviews with key stakeholders;
- b. To conduct, or cause to be conducted, audits on behalf of Council in the areas of financial control audits (excluding attestation on financial statements, which is the purview of the appointed External Auditors), compliance audits, and value for money audits focused on effectiveness and efficiency of processes, programs, departments;
- c. To follow up annually on audit recommendations as to the effective implementation of management actions resulting from audit recommendations;
- d. To perform any additional audit assignments requested and approved by Council through General Committee by a 2/3 majority vote (not included with this initial Contract Award and to be budgeted for if required)
- e. To report their findings, conclusions, recommendations to the audited parties, local management, and General Committee of Council. Management is responsible for addressing the Auditor General recommendations and maintaining adequate risk management and system controls;
- f. To report to the General Committee of Council a minimum of once, annually.
- g. To conduct performance management and metrics of the Auditor General office.

BID INFORMATION

Advertised	ETN *
Bids closed on	June 10, 2015
Number picking up bid documents	9
Number of companies responding to bid	5

* The RFP was advertised publicly and in addition, staff directly contacted the eight largest (based on revenue) auditing firms in Canada to ensure the firms were aware of the opportunity, and to maximize potential responses to the RFP. During the RFP process, 9 proponents picked up the document and on June 18th, the RFP closed with five submissions.

PROPOSAL EVALUATION

The RFQ was released with a two-stage evaluation approach. The qualification / technical and financial proposal (Stage 1) were evaluated out of 100 points. The Evaluation Team for this RFPs qualifications / technical component was comprised of staff members (Trinela Cane, Joel Lustig, Kimberley Kitteringham, and Carlie Turpin) and facilitated by Staff from the Purchasing Department (Alex Moore and Rosemarie Patano).

Evaluation of Stage 1 – Qualifications / Technical and Financial

The Stage 1 Proposals were evaluated against the pre-established evaluation criteria as outlined in the RFP: 20 points for Experience and Qualification of the Bidder, Audit Lead (Auditor General) and Consulting Team; 60 points for Project Understanding, Methodology, Delivery and Management; and 20 points for Price, totalling 100 points. Bidders, who met the mandatory requirements and scored a minimum of 75 points out 100, continued on to Stage 2 – Interview. The results of the Stage 1 evaluation are outlined below:

Bidders	Score (out of 100)	Rank Results
Deloitte LLP	78.96	1
MNP LLP	75.00	2
BDO Canada LLP	69.00	3
PricewaterhouseCoopers LLP	60.70	4
Grant Thornton LLP	60.27	5

Deloitte LLP and MNP LLP scored the highest on the technical submission, demonstrating a thorough understanding of the project and its requirements. Both proposals demonstrated to the City's satisfaction that they have the ability to undertake the project and have a strong understanding of the project deliverables, key issues and challenges.

Evaluation of Stage 2 – Interview

Since Deloitte LLP and MNP LLP scored a minimum of 75 points out of 100, these two firms were selected to continue to Stage 2 and participate in a formal interview process, as allowed for in the bid document.

The interview was evaluated out of 50 points against a pre-established presentation component and interview questions. The Evaluation Team for the Interview (Stage 2) was comprised of the following Council Auditor General Selection Committee (as approved via Council Resolution dated June 15, 2015):

- Mayor Frank Scarpitti
- Deputy Mayor Jack Heath
- Councillor Logan Kanapathi
- Councillor Colin Campbell
- Councillor Karen Rea
- Councillor Amanda Collucci

With the CAO, Commissioner Corporate Services and Treasurer acting as observers, and Purchasing staff acting as the facilitator.

The results of the Stage 2 evaluation are outlined below:

Bidders	Interview Score (out of 50)	Rank Results
MNP LLP	48.17	1
Deloitte LLP	30.64	2

MNP LLP presented to the Selection Committee their firms approach to the development of a four year audit plan. The detailed overview provided how the Auditor General would lead the MNP team with the City's audit plan, with complete engagement throughout the process.

The firm also spoke to a focus on Quality Assurance and how the firm would effectively mobilize the team to achieve audit outcomes and ensure quality assurance standards are met.

Stage 1 & 2– Combined Overall Scoring

The scores from the Stage 1 and Stage 2 evaluations were combined to formulate Grand Total Score, as summarized below:

Bidders	Grand Total Score (out of 150)	Rank Results
MNP LLP	123.17	1
Deloitte LLP	109.60	2

MNP LLP (“MNP”) scored the highest on both the technical submission and the interview, demonstrating a thorough understanding of the project and its requirements. The firm successfully demonstrated to the City’s satisfaction:

- The Audit Lead and Team Members have experience with similar projects
- The firm has full capability to deliver on scope of work
- The Audit Lead has extensive experience
- The firm has good understanding of project scope, and all scope of work items
- An excellent approach to the development of the four-year audit plan was shown
- The project schedule and plan for resource utilization were presented with the appropriate level of detail
- The firm provided thorough articulation of the process to be followed in the completion of the reports
- The firm had a comprehensive and detailed approach in relation to the measures to manage quality on projects (i.e., Key Performance Indicators for Auditor General Office)

MNP is the fifth largest business advisory and chartered accountancy firm in Canada. Founded in 1945, MNP has grown from a single office to more than 80 locations and over 3,800 team members across Canada. Their firm has assisted many organizations in assessing and developing audit plans, executing audits and reviews, and developing and implementing robust internal control and compliance programs, in the not-for-profit, government and public sector. MNP’s experience and knowledge with municipal and other public sector clients within the past five years include (but not limited to): Regional Municipality of York (“Region of York”), Infrastructure Ontario (“IO”), Ontario Energy Board (“OEB”), Waterfront Ontario and most recently the City of Ottawa.

Purchasing undertook references of the recommended firm and received positive feedback on the firm itself, as well as the identified Auditor General, and the assigned team.

NEXT STEPS:

Following approval from Council, MNP will develop an audit plan through consultation with Council and Senior Management, to include the following audit plan approach considerations:

- Risk assessment based on the Audit Universe
- Strategic relevance to the organization
- Areas which have been audited in the past three years
- Areas where there has been a history of errors / issues
- Timing of audits include addressing legacy audit issues
- The need for recurring audits to ensure continued compliance in certain areas
- Areas, functions, or processes where there has been significant change in the past year of expected change over the next year
- Input from key stakeholders

MNP LLP will present an audit plan to General Committee in the 1st Quarter 2016.

FINANCIAL CONSIDERATIONS:

The Contract Award will be based on a firm and fixed fee basis, which includes all disbursements and applicable fees, for a minimum of 8 completed substantive audits over the Contract Term.

Staff recommends that MNP LLP be appointed as the Auditor General for a four year term to a maximum amount of \$152,640 (\$150,000 + \$2,640) inclusive of HST;

- a. \$152,640 – Year 1
- b. \$152,640 – Year 2
- c. \$152,640 – Year 3
- d. \$152,640 – Year 4

BUSINESS UNITS CONSULTED AND AFFECTED:

Council and Finance staff was involved in the process and concurs with the recommendation.

RECOMMENDED BY:

03/11/2015

X 

Joel Lustig
Treasurer

03/11/2015

X 

Trinela Cane
Commissioner, Corporate Services

03/11/2015

X 

Andy Taylor
Chief Administrative Officer