

PUEBLO CITY-COUNTY LIBRARY DISTRICT BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING
July 27, 2018

I. CALL TO ORDER

The Audit Committee meeting was called to order at 1:00 p.m. at the Rawlings Library, Executive Conference Room. Board members, Mr. Walker, Ms. Baca, and Ms. Cortez were provided with a packet of proposals received.

Board Members Present: Jim Stuart, Marlene Bregar, Philip Mancha

Staff Present: Jon Walker, Executive Director; Sherri Baca, Chief Financial Officer; Jeanette Cortez, Senior Accountant; Jane Carlsen, Board Secretary

II. DISCUSSION ITEMS

List of Proposals Received: Ms. Baca distributed the list of Audit Proposals received. Ms. Baca reviewed the ways in which the RFP had been advertised including the library's website, the Colorado Society of CPAs website, the Colorado GFOA website, and the Rocky Mountain bid system. She was not sure how some of the proposers came across the RFP because some she had hoped would submit a proposal did not. Ms. Baca said the list was in alphabetical order and included notes from some of what she gleaned from the proposal. The committee then reviewed the list of auditors submitting proposals and their experience with library districts.

The proposal received from Chadwick, Steinkirchner, Davis & Co., PC, was listed last because it had been received after the July 25, 3:00 p.m. deadline. Ms. Baca pointed out the library's typical RFP template included language that allows the library to accept proposals received after the due date; however, since the Audit RFP had been adapted from language used several years ago, it did not include that clause. Mr. Walker pointed out that the mailing label and tracking slip showed the firm's contract with the United States Postal Service was for the package to be delivered by noon on July 25, although it was received by the library the morning of July 26. Because of that, Mr. Walker suggested the firm had met the criteria required by the library.

After additional discussion, Mr. Stuart asked for a vote from the Audit Committee to agree to accept the proposal received from Chadwick, Steinkirchner, Davis & Co., PC, and there was unanimous approval. With that approval, Ms. Baca distributed copies of that firm's proposal.

Proposal Analysis: Ms. Baca distributed Proposal Scoring Sheets and a Proposal Summary for the Audit Committee's review. The first two items on the score sheet are yes/no answers, and a no would immediately disqualify the firm. The next two items are Mandatory Elements scored for adhering to RFP instructions and submitting a copy of the last quality control review, totaling 20 points. These would be rated based on how well it matched the requirements and whether the proposal included everything requested.

Dr. Mancha felt that a good bit of the scoring should be done by Ms. Baca or someone with more experience, and he explained he has personal plans that would not afford him the time necessary to score the proposals. Mr. Walker said this is presented as an opportunity for the Audit Committee to score the proposals, although the Audit Committee could delegate the scoring to staff. Mr. Walker, Ms. Baca and Ms. Cortez will also be reviewing and scoring the proposals, and their recommendation could be presented to the Board in the same way as other RFP proposals.

Ms. Baca referred to the Proposal Summary Sheet which shows the initial scoring is only the first part of the process. Ms. Baca said she would complete the line with the cost ranking which is just a calculation. The numbers from that total score will likely result in two or three

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top firms which will be asked to come and interview. Ms. Baca said this process had been used with the banking RFP which had also included software demonstrations, and it seemed to be successful in getting the best candidates. The interview process is a good way for the Finance team to know who they will be working with. Mr. Stuart said the interviews could be weighted more heavily, because that is even more important. There was discussion that during the interviews it is important to use the same criteria for each of the firms. Ms. Bregar said members of the interview team need to have an idea of the criteria they want to see.

Ms. Baca has not yet reviewed the proposals except for the costs, but all the costs were fairly competitive and reasonable. Ms. Baca said she will also check the references as part of the continuing evaluation process. There are a lot of ways to review the proposals. Mr. Stuart said he believes the references would be even more important than the interviews, and staff need to talk with the people who have worked with them. Ms. Bregar asked if the ones at the interview would be the ones the Finance staff would be working with. Mr. Walker responded that we could ask to have the person that will lead the audit to be interviewed. Typically, there is a principal, and the firm will have staff who work with the Finance team, but it is important to interview the partner that would be assigned to the audit. Ms. Baca said the audit staff involved can depend on the size of the firm.

Ms. Baca said when checking the bank references, she had a reference sheet with questions to help them quantify the reference check.

The way the evaluation process is set up, the top two or three typically rise to the top, and those would be the ones to conduct reference checks and invite back for interviews. Ms. Baca said the front-runners are usually apparent, and Ms. Bregar agreed. Mr. Walker said that is why it is important to take one step at a time. The scoring will identify the firms that rise to the top, and it could be that only one stands out.

Returning to the scoring sheet, the QC review asks the firm to provide one recent peer review. Under the Technical Qualifications, Ms. Baca referred to page 11, paragraph 7 in the RFP, as well as paragraph 5 asking about other governmental clients. There was discussion of comparable government engagements, with government experience good and library experience even better. Ms. Bregar said as long as each rater is consistent in the way they rate firms, it will not matter if one rater rates higher than another, as long as each rater is consistent with all proposals. Mr. Walker pointed out that nonprofit experience would be helpful too. There was discussion whether library experience is more important than governmental experience, and it was noted that library accounting follows customary governmental accounting principles; however, accounting for books and materials is unique to libraries. Some libraries are component units of the city, and that would be different than an autonomous library district, and Ms. Cortez's experience was that the auditor does not spend as much time on the component unit such as the Library Foundation. Raters may strengthen the score if experience with libraries is there.

Dr. Mancha suggested the Technical Qualifications be rated at 100 points, then deduct points if mandatory elements are missed. There was a suggestion to keep the yes/no questions at the top, and to move the mandatory element deductions below the Technical Qualifications.

Ms. Baca referred the Committee to the section of the RFP relevant to each technical qualification being rated. Mr. Stuart asked where the time factors into this, for example, Finance would not want a small audit firm to necessitate auditors being in their area longer than a larger audit firm. Ms. Baca said time is money for audit firms, and the estimated time and staff needed is factored into the price quote. Ms. Baca said she responded to 35 questions which were posted to the website for all proposers to review, and she distributed the list of questions and answers. Ms. Baca said not all who asked questions submitted a proposal.

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Dr. Mancha pointed out paragraph 5 on page 11 of the RFP referring to Affirmative Action and questioned how they will determine the adequacy of the proposed staffing plan to include Affirmative Action.

There was additional review of the scoring sheet as it relates to the RFP, and Mr. Stuart suggested the scoring sheet be adjusted to include references to the RFP.

Mr. Stuart asked for the Committee's deadline to complete scoring of the proposals, and Ms. Baca asked that the scoring sheets be returned to her by August 7. She will adjust the scoring sheet and email it to the Committee before the end of the day so they have the weekend to work on it. Ms. Baca said each rater will need to print out six copies of the score sheet (or complete separate Excel score sheets) for each proposal.

Board of Trustees Work Session: The Committee will not have had time to conduct interviews by the August 14 Board Work Session. Mr. Stuart will announce the status of the Audit Committee's work and its plan to have a recommendation at the August Board meeting for Board approval with the goal of being able to sign a contract with the audit firm by September 1. Mr. Stuart may be able to announce the number of firms to be interviewed.

Set Interview Dates and Times for August 15-16: Dr. Mancha asked if it would be necessary to find someone to replace him on the Audit Committee. Since he will not have the time needed to score proposals, he questioned whether it would be appropriate for him to participate in the interviews and recommendation. Mr. Walker said there was no reason that he could not sit in on the interviews. It was agreed that if Dr. Mancha plans to participate in the interviews, he should plan to participate in all of them. Dr. Mancha does not feel he should evaluate the firms.

Mr. Stuart suggested one of the interview questions should be, "Why do you think your firm would be the best?"

Mr. Walker said the Audit Committee could choose to delegate the entire selection process to staff, but that is a decision for the Audit Committee. Mr. Stuart said since it is the Board's auditor, it is important for the Board to participate in the selection process. Ms. Baca said it is a good process which could be defended if necessary.

The interviews will be scheduled on August 15 and 16. Meeting room space will be reserved for the afternoon of August 17 in case there are more firms to be interviewed. There was discussion of plans for 90-minute timeslots, anticipating an hour for the interview itself and an additional half hour for discussion and analysis. The Board Secretary will book meeting room space for the interviews.

Mr. Walker said the goal will be in the days after the scoring has been completed, Finance will begin scheduling interviews and checking references, and the goal will be to make a recommendation at the Board meeting on August 23.

Final Score and Rank: Ms. Baca plans to report the final score and rank to the Audit Committee by August 20.

III. ADJOURNMENT Mr. Stuart adjourned the meeting at 2:15 p.m. noting that he hopes they are able to select as good an auditor as they did when the Board hired Swanhorst.

Respectfully submitted,

Jane Carlsen/
Secretary