



# City of San Antonio

## Agenda Memorandum

**File Number:**16-4698

---

**Agenda Item Number:** 18.

**Agenda Date:** 10/20/2016

**In Control:** City Council A Session

---

**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott, CPA, Deputy Chief Financial Officer

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

Engagement of a Professional Consultant to Provide Accounts Payable Recovery Audit Services

### **SUMMARY:**

This ordinance authorizes the City to enter into a professional services contract with Professional Auditing Services of America, Co. (PAS) to provide accounts payable recovery audit services to the City. Under this contract, the selected consultant will audit vendor payment data for missed cash discounts, duplicate payments, unapplied credits and other issues, and seek recoveries from the vendors. Once the recoveries are received by the City, a 21% contingency fee will be paid to the consultant. Recovered monies will be returned to the fund from which the expenditure was made.

### **BACKGROUND INFORMATION:**

The City's non-payroll vendor payments have averaged approximately \$1.17 billion over each of the past five fiscal years. A contingent fee based audit is a no-cost way to confirm the Finance Department has adequate controls in place and to identify control gaps and make recommendations for improvements.

On May 3, 2016, the City released a Request for Proposal (RFP) for Accounts Payable Recovery Audit Services. A pre-submittal conference was held on May 10, 2016 to allow for Respondent questions and clarification to the RFP. Two (2) proposals were received by the June 1, 2016 deadline. The Evaluation Committee included representatives from the Finance Department, with a representative of the City Attorney's Office serving as an advisory non-voting member of the Evaluation Committee. The evaluation of each proposal was based on a total of 100 points: 20 points allotted for experience, background, qualifications; 25

points allotted for proposed plan; 20 points allotted for cost/compensation; and 20 points allotted for Small Business Economic Development Advocacy (SBEDA) Program. The Small Business Enterprise Prime Contract Program and the Minority/Women-Owned Business Enterprise Prime Contract Program were each allotted 10 points, respectively. In addition, 10 points were allotted for the Local Preference Program (LPP); and 5 points for the Veteran-Owned Small Business Preference Program (VOSB). A summary of the RFP scoring is attached.

The Evaluation Committee met on June 28, 2016 for discussion on each of the Respondents. After clarifications were sent to both respondents on July 7, 2016, the Evaluation Committee reconvened to finalize discussion of the proposals experience and background and qualifications and proposed plan and made a contract recommendation.

Based on this criterion, PAS was selected as the successful respondent. This contract will allow the City to engage PAS as a professional consultant to be an advocate for the City in reviewing vendor payments for errors and recoveries identify areas for improvements in controls and provide recommendations. In return for these services, the consultant will retain a percentage of recoveries after the City has received the recovered amounts.

#### **ISSUE:**

The contract with PAS will provide the City with 79% of any amounts recovered due to the audit, while the consultant will receive 21%. Under this compensation arrangement, there is no risk to the City, since the consultant only gets paid if recoveries are realized by the City. Staff benchmarked the fee with five other entities and found it to be favorable.

PAS will provide the City with a performance guarantee that states if no monies are recovered during the first 45 days of the audit, the City will be entitled to a \$3,000.00 inconvenience payment for its invested time. The commission is PAS' total compensation from the contract; no expenses or other charges will be billed.

#### **ALTERNATIVES:**

An alternative to accepting this proposal would be to reject all bids and not move forward with the solicitation.

Another alternative would be to have City Staff perform the work; however, PAS has many years of experience which makes them more efficient and effective.

#### **FISCAL IMPACT:**

This ordinance authorizes a one-year professional services contract, with 2 optional one-year extensions, with PAS to provide accounts payable audit services. As compensation under the contract, PAS will be entitled to receive 21% of any recoveries achieved by the City as a result of the consultant's efforts, falling to 20% and 19% if optional one-year renewals are executed.

#### **RECOMMENDATION:**

Staff recommends the approval of the proposed professional services contract with Professional Auditing Services of America Co. to provide the Finance Department with accounts payable audit services.

This contract is procured by means of Request for Contracts Disclosure Form is attached.