

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission

FROM: Eric Carpenter, City Manager

DATE: October 30, 2024

TITLE: A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, APPROVING, IN SUBSTANTIAL FORM, AMENDMENT NO.1 TO CONTRACT NO. 19-092-01, BETWEEN THE CITY AND RSM US LLP, PURSUANT TO REQUEST FOR PROPOSAL NO. (RFP) 2019-092-JC FOR AUDITING SERVICES; AUTHORIZING THE ADMINISTRATION TO RENEW THE CONTRACT TO ADD ADDITIONAL AUDITS AS REQUIRED BY FEDERAL OR STATE REGULATORY AGENCIES, BOND COVENANTS, GRANT AGREEMENTS, PERFORMANCE-BASED MANAGEMENT AGREEMENTS AND/OR CONTRACTS; AUTHORIZING THE ADMINISTRATION TO NEGOTIATE A RATE INCREASE NOT TO EXCEED 10% FOR THE AUDIT SERVICES REQUIRED FOR FISCAL YEAR 2024; DELEGATING TO THE CITY MANAGER THE AUTHORITY TO NEGOTIATE A RATE INCREASE NOT TO EXCEED THE CPI OF SAID YEAR FOR EACH SUBSEQUENT AUDIT REMAINING ON THE CONTRACT FOR FISCAL YEARS 2025 AND 2026; AND FURTHER AUTHORIZING THE CITY MANAGER AND CITY CLERK TO EXECUTE AMENDMENT NO. 1.

RECOMMENDATION

Adopt the Resolution.

BACKGROUND/HISTORY

The City of Miami Beach (the City) is required to have an annual audit performed on the City's Annual Comprehensive Financial Report (ACFR) in accordance with Florida Statutes 218.39. Other audits are required to be conducted in accordance with the U.S. Office of Management and Budget (OMB) Uniform Guidance 2 CFR 200 (Single Audit) Bonded Debt Covenants, Performance Management and/or Grant Agreements. Each audit herein must be conducted by an independent audit firm.

Pursuant to the above requirements, the City is required to procure auditing services to examine the City's Basic Financial Statements included in the City's Annual Comprehensive Financial Report (ACFR), Federal grant programs and State projects (OMB Uniform Guidance /Single Audit), the Miami Beach Redevelopment Agency's (RDA) financial statements and the North Beach Community Redevelopment Agency (NB CRA) along with several other small special reports including Miami Beach Visitor and Convention Authority's (VCA) financial statement, the Miami Beach Convention Center (MBCC), as managed by Oakview 360 (OVG), Centerplate managed by Sodexo, Children Trust (CT) and others.

In June 2019, the City of Miami Beach entered into a professional services agreement with RSM US LLP for auditing services, pursuant to Request for Proposal (RFP) 2019-092-JC for five (5) years with three (3) optional one (1) year renewal periods, with costs ranging from \$253,500 to \$268,530 on a per annum basis.

In consideration of the approaching expiration of the current Contract with RSM US LLP, the Administration is recommending renewal of the Contract for the three (3) optional one (1) year renewal periods. This contract renewal will also include additional audits, a rate increase not to exceed 10% for the audit of FY 2024 and the ability to negotiate rate increases in an amount not to exceed CPI for the remaining audit periods included in the Contract for FY 2025 and 2026. Therefore, by way of modification of Contract No. 19-092-01 the City seeks to fulfill the statutory requirements outlined above.

ANALYSIS

In June 2019, the City of Miami Beach entered into a professional services Agreement with RSM US LLP for auditing services pursuant to Request for Proposal (RFP) 2019-092-JC. The scope and fees of the current Contract were determined in 2019, and the City's needs, and reporting requirements have changed since the inception of the Contract.

The current Contract has stipulated fixed fees for some audits that the City performs on an annual basis, as well as fixed blended rates for additional services as requested or required to fulfill goals and reporting modifications. Since the inception of Contract No. 19-092-01, the scope of services required by the City has changed and the City's Administration seeks to modify the Contract to reflect current service demands by eliminating entities no longer requiring audit services and including new additional entities and services to meet current demands. Modifications include the removal of audit services for Building Better Communities (BBC) and Safe Neighborhoods Parks Single Audit (SNP), and the addition of the audit and special reports for North Beach CRA (NBCRA), special reports for Miami Beach Redevelopment Agency (RDA), and the audit of Sodexo Live, (food services provider for the Miami Beach Convention Center).

As noted in Exhibit A, periodically audit fees were modified for the anticipated increased cost of providing services. These fees were outlined on an annual basis for each audit service provided to the City. However, although the Contract allows for an additional three (3), one (1) year period renewals, the Contract is silent with respect to rate increases for subsequent years. This silence limits the Administration's ability to negotiate reasonable and competitive fees for the periods remaining on the Contract.

Based on the Administration's discussions with the service provider, RSM US LLP and similar accounting professionals, there are significant challenges to procuring professional accounting services without the necessity of competitive rates and fees. Modification of rates and fees will provide the Administration the ability to negotiate in good faith with RSM US LLP for the sole purpose of maintenance of high-quality audit services while ensuring compliance with industry and regulatory standards.

Further, it can also be noted that recent developments in the professional accounting regulatory environment are changing the landscape of audit services and are redefining professional auditing standards. Recently, the American Institute of Certified Public Accounts (AICPA), Auditing Standards Board (ASB) issued a series of new Statements on Auditing Standard (SAS), SAS 145 through 149. More specifically, (SAS) 145 *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* mandates changes to auditing policies and procedures requiring enhanced auditing methodologies and tools to improve the overall quality of audits and financial reporting. Auditors are now required to implement improved risk assessment procedures, increase documentation of financial audits and improve the use of information technologies into the overall audit procedures and protocols to ensure compliance with this new standard.

It can also be noted that since 2019, the Governmental Accounting Standards Board (GASB), the regulatory body that governs financial reporting and disclosures for governmental agencies, has

issued more than 12 new standards many significantly modifying the scope of reporting procedures and consequently audit testing. Several of these standards have been fully implemented by the City of Miami Beach including Statement No. 87 Leases, Statement No. 91 *Conduit Debt Obligations*, and Statement No. 96 *Subscription Based Information Technology Arrangement*. These implementations have not only placed a significant demand on internal resources, but the combination of these regulatory implementations have increased demands for both the reporting and auditing sides, catapulting the demand for expanded tools and resources to provide appropriate audit services to clients in the governmental industry.

The previous fees and rates on the current Contract also reflect the market conditions of 2019, pre pandemic, pre inflationary environment and are not consistent with the reality of current market value services. The Administration is recommending renewing the current Contract with a not to exceed 10% increased rate for the audit of FY 2024 set to begin within the coming months. The Administration has determined that an up to 10% increase is fair and reasonable if compared to the compounded rate of 23% CPI since the inception of the Contract.

In summary, City Administration would like to amend the Contract to:

- Include an audit and special reports for North Beach CRA (NBCRA), specials report for Miami Beach Redevelopment Agency (RDA), and the audit of Sodexo as outlined in the revised scope of services (Exhibit B).
- Delete audits for Building Better Communities (BBC) and Safe Neighborhoods Parks Single Audit (SNP) which are no longer applicable.
- Add a rate increase of not to exceed 10% for the audit for FY 2024 to account for the significant increase in auditing standards and requirements that have changed since the contract was first executed.
- Add authority to negotiate as necessary in a not to exceed amount, of annual CPI for the subsequent audits remaining in the Contract for FY 2024 and FY 2025.

This modification will permit the City Administration the authority to negotiate audit fees for adjusted scopes of services, allow for CPI modifications as well as modifications for changing regulations commensurate with industry standards and professional environment

FISCAL IMPACT STATEMENT

The Finance Department, Economic Development, CRA and NB CRA have an approved budget for audit services. The approved budget has sufficient funds for the requested increase.

Does this Ordinance require a Business Impact Estimate? (FOR ORDINANCES ONLY)

If applicable, the Business Impact Estimate (BIE) was published on:

See BIE at: <https://www.miamibeachfl.gov/city-hall/city-clerk/meeting-notice/>

FINANCIAL INFORMATION

CONCLUSION

Applicable Area

Citywide

**Is this a “Residents Right to Know” item,
pursuant to City Code Section 2-17?**

No

**Is this item related to a G.O. Bond
Project?**

No

**Was this Agenda Item initially requested by a lobbyist which, as defined in Code Sec. 2-481,
includes a principal engaged in lobbying?** No

If so, specify the name of lobbyist(s) and principal(s):

Department

Finance

Sponsor(s)

Co-sponsor(s)

Condensed Title

Amend Contract No. 19-092-01 w/ RSM, Auditing Services (RFP 2019-092-JC). FN