

**CITY OF MIAMI BEACH  
COMMISSION ITEM SUMMARY**



**Condensed Title:**

A resolution accepting the recommendation of the City Manager pertaining to the ranking of proposals received pursuant RFP 58-02/03 for the provision of auditing services for resort taxes and audits of non-profit organizations; and authorizing the Administration to enter into negotiations and contracts with the top rank firms for a one year contract with two one-year options to renew.

**Issue:**

Shall the Commission authorize the Administration to enter into negotiations and contracts with the top three firms of Urbach Kahn & Werlin, Beverly Young, and Rodriquez Truba & Company for audits of resort taxes and with the top two firms of Sanson Kline Jacomino and Urbach Kahn & Werlin for internal audits of non-profit organizations?

**Item Summary/Recommendation:**

Audits of business collecting City resort taxes have been performed by the City's field agents and supplemented by contracting out audits to outside firms. It is recommended that the City continues to contract with outside firms to assist in audits of resort taxes. In addition, it is recommended to contract with outside firms to assist the internal audit department with audits of non-profit agencies receiving monies through the city.

ADOPT THE RESOLUTION

**Advisory Board Recommendation:**

On January 15, 2003, the City Finance and Citywide Projects Committee approved the continued usage of outside contractors to supplement audit coverage for resort taxes.

**Financial Information:**

Source of Funds:	Amount	Account	Approved
<div style="border: 1px solid black; width: 50px; height: 50px; display: inline-block; vertical-align: middle;"></div> Finance Dept.	1	\$120,000	160.0330.000312 (Professional Services – Resort Tax Fund)
	2	\$10,000	011.0330.000312 (Professional Services – General Fund)
	3		
	4		
	<b>Total</b>	<b>\$130,000</b>	

**City Clerk's Office Legislative Tracking:**

**Sign-Offs:**

Department Director	Assistant City Manager	City Manager
JS	MDB	

AGENDA ITEM C7E  
DATE 11-25-03

# CITY OF MIAMI BEACH

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## COMMISSION MEMORANDUM

**To:** Mayor David Dermer and  
Members of the City Commission

**Date:** November 25, 2003

**From:** Jorge M. Gonzalez  
City Manager

A handwritten signature in black ink, appearing to read 'Jorge M. Gonzalez'.

**Subject:** **A RESOLUTION OF THE MAYOR AND THE CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA ACCEPTING THE RECOMMENDATION OF THE CITY MANAGER PERTAINING TO THE RANKING OF PROPOSALS RECEIVED PURSUANT TO REQUEST FOR PROPOSALS (RFP) NO58-02/03, FOR PROVIDING AUDITS OF RESORT TAXES AND INTERNAL AUDITS OF NON-PROFIT ORGANIZATIONS; AUTHORIZING THE ADMINISTRATION TO ENTER INTO NEGOTIATIONS AND CONTRACTS FOR A ONE-YEAR CONTRACT, WITH TWO ONE-YEAR OPTIONS TO RENEW, WITH THE TOP THREE FIRMS (URBACH KAHN & WERLIN; BEVERLY YOUNG; AND RODRIQUEZ TRUEBA & COMPANY) FOR AUDITS OF RESORT TAXES, AND THE TOP TWO FIRMS (SANSON KLINE JACOMINO & COMPANY AND URBACH KAHN & WERLIN) FOR AUDITS OF NON-PROFIT ORGANIZATIONS; SHOULD THE ADMINISTRATION NOT BE ABLE TO NEGOTIATE WITH THE TOP FIRMS, AUTHORIZING THE ADMINISTRATION TO NEGOTIATE WITH THE NEXT FIRMS RANKED IN ORDER OF SELECTION, AS SET FORTH IN THIS ITEM.**

### ADMINISTRATION RECOMMENDATION

Adopt the Resolution.

### ANALYSIS

The City of Miami Beach charges a resort tax of three percent on revenues generated by the sale of rooms and two percent of revenues from food and beverage earned within the City. Businesses are required to register with the City to collect and remit taxes. It is projected that \$25.6 million in resort taxes will be collected in fiscal year 2004. As of October 1, 2003, there were 1,959 businesses registered to collect resort taxes. Of the total registered businesses, 665 are reporting taxes to the City on a monthly basis and 6 are reporting taxes on a quarterly basis. These businesses consist of hotels, restaurants, nightclubs, and bars. The balance of registered businesses (1,288) represents apartments required to report on an annual basis to the City.

The City employs field agents to audit these businesses. In an effort to expand audit

coverage, the City entered into agreements with three independent contractors in October of 1994 to audit the records of these businesses. On January 12, 2000, the Commission adopted a resolution accepting the ranking of responses received and authorized the administration to negotiate and enter into contracts for these services. Two contractors were awarded contracts for one year with two one-year renewals and are now on a month to month basis.

Previously, the City collected a telecommunication tax from hotel operators who provided telecommunications services to their customers. Auditing for compliance of this tax was performed by the City's field agents and its auditing contractors. Effective October 1, 2001, the State of Florida collects this tax and remits a portion of the tax to the City. The State now has the auditing responsibility for this telecommunication tax.

The Internal Audit objective for the current fiscal year is to audit 25 percent of the monthly and 10 percent of the annual active resort tax accounts for a total of 300 accounts. The Internal Audit Department will assign these audits to the City's field agents and independent contractors. For the current year, the City has reduced its field agents from four positions to three positions.

The contract term would be for a period of one year with the option of two one-year renewals. Funds for resort tax audits are available from the resort tax fund. The budget for the fiscal year 03/04 has been reduced from \$150,000 to \$120,000 for these professional services. Expenditures for these external audit services amounted to \$113,794 for fiscal year 02/03.

At the meeting of the City Finance and Citywide Projects Committee held on January 15, 2003, the continued usage of contractors to supplement audit coverage of resort taxes was discussed, and the issuance of a Request for Proposals (RFP) was recommended.

On February 5, 2003, the City Commission adopted a resolution authorizing the issuance of a RFP for the provision of auditing service for resort taxes for a one-year period with two one-year options to renew, and the extension of the existing agreements with Beverly Young and The Bookkeepers on a month to month basis until new agreements are executed.

The Administration later decided to add to this RFP a provision for audits of non-profit organizations. The City Commission had previously expressed a desire to audit these non-profit agencies which receive monies through the City. Funding sources consist of monies from the general fund, resort tax fund, Community Development Block Grants, Home Investment Partnerships and Emergency Shelter Grants. The City Commission has requested that these agencies be included in the Internal Audit Department audit schedule. The Internal Audit Department has identified 32 agencies that received funding totaling \$6,700,000 for fiscal years 01/02 and 02/03. Ranges in funding distributed to these agencies were from \$5,000 to \$1,485,000.

Outside firms could be contracted to provide assistance to the City’s Internal Audit department for audits of non-profit organizations. These firms would provide staff on a part-time basis as needed to perform audit work under the direction of the City’s Internal Auditor. Contract pricing would be on an hourly rate with length of contract terms similar to those for the resort tax contractors. The current average hourly rate for the City’s staff and senior auditors is \$31. Funds for the audits of non-profit organizations would be from the general fund. For fiscal year 03/04, \$10,000 has been budgeted for these audits.

The following six proposals were received in response to RFP No. 58-02/03:

	Firm	Submitted Proposal for Audit Type	
		Resort Tax	Non-Profit Organizations
1	Beverly Young	YES	NO
2	The Bookkeepers	YES	NO
3	Forshee & Lockwood	NO	YES
4	Rodriquez, Trueba & Company	YES	YES
5	Sanson Kline Jacomino & Co	YES	YES
6	Urbach Kahn & Werlin	YES	YES

On September 10, 2003 the City Manager via Letter to Commission (LTC) No. 214-2003 appointed an Evaluation Committee (“the Committee”) consisting of the following individuals:

1. Javier Nunez, CPA and Property Owner
2. Polly Burton, Local Business Owner Windjammer Cruise and Resident
3. Fred Berens, Budget Advisory Committee, and Resident
4. Georgina Echert, Assistant Finance Director, City of Miami Beach
5. James Sutter, Internal Auditor, City of Miami Beach

On October 21, 2003, the Committee convened and decided to separate this RFP process and evaluate and rank the firms based upon the two distinct components. The Committee would evaluate the firms first for the audits on Resort Taxes and then for the non-profit organizations.

Audits of Resort Taxes:

The Committee discussed the following RFP Evaluation Criteria factors used to evaluate and rank the proposals for Resort Tax Audits:

- Experience and Qualification of the Proposer (25%)
- Experience and Qualification of the individuals assigned to audits (25%)
- Proposed fees per audit (50%)

The committee agreed that each firm had experience in auditing businesses in the hospitality industry. The main deciding factor came down to the cost per audits. The cost

for audits of monthly accounts ranged from \$750 to \$1,400 per audit and the cost for annual accounts ranged from \$600 to \$1,400 per audit. Two of the five proposals listed an additional fee of 15% of any collection resulting from the audit assessment. The results of the evaluation ranked the top three firms as Urbach Kahn & Werlin, Beverly Young, and Rodriquez, Trueba & Company. Scoring results per committee member were as follows:

Committee Member	Beverly Young		The Bookkeepers		Rodriquez, Trueba & Co.		Sanson, Kline Jacomino & Co		Urbach, Kahn & Werlin	
Nunez	100	1	85	4	90	2	70	5	90	2
Burton	90	3	72	4	95	1	70	5	94	2
Berens	95	2	83	4	95	2	80	5	100	1
Echert	90	2	70	4	80	3	60	5	100	1
Sutter	100	1	88	4	96	3	75	5	98	2
Ranking		2		4		3		5		1

It was recommended that the Administration negotiate and contract with the top three firms as indicated above at a set price and assign audits to all three firms on a rotating basis. If one firm cannot come to an agreement, then the other firm or firms may be approached for negotiation and contract.

Audits of Non-Profit Organizations:

The Committee discussed the following RFP Evaluation Criteria factors used to evaluate and rank the proposals for Non-Profit Organization Audits:

- Experience and Qualification of the Proposer (25%)
- Experience and Qualification of the individuals assigned to audits (25%)
- Proposed Hourly Fees (50%)

The committee agreed that each firm had experience in auditing non-profit businesses. The main deciding factor came down to the proposed hourly fees. Most firms proposed a tier rate schedule for each professional position. The hourly rate for a staff position, the one most likely to do the work, ranged from \$50 to \$100 per hour. The results of the evaluation ranked the top two firms as Sanson Kline Jacomino & Co., and Urbach Kahn & Werlin. Scoring results per committee member were as follows:

Committee Member	Forshee & Lockwood		Rodriquez, Trueba & Co.		Sanson, Kline Jacomino & Co		Urbach, Kahn & Werlin	
Nunez	65	4	95	1	90	3	95	1
Burton	65	4	93	3	100	1	94	2
Berens	65	4	90	3	95	2	100	1
Echert	60	4	80	3	100	1	90	2
Sutter	70	4	98	1	98	1	97	3
Ranking		4		3		1		2

The results of the evaluation ranked the top two firms as Sanson Kline Jacomino & Co, and

Urbach Kahn & Werlin. It was recommended that the Administration negotiate and contract with these two firms at a set hourly price and assign audits to both firms on a rotating basis. If one firm cannot come to an agreement, then the other firm or firms may be approached for negotiation and contract.

**CONCLUSION**

The Administration recommends that the Mayor and Commission adopt the resolution, which accepts the City Manager's recommendation and authorizes the Administration to enter into negotiations and contract with the top-ranked firms of Urbach Kahn & Werlin, Beverly Young, and Rodriquez, Trueba & Company for Resort tax audits and Sanson Kline Jacomino & Co, and Urbach Kahn & Werlin for audits of non-profit organizations. In the event that one firm cannot come to an agreement, then the other firm or firms may be approached for negotiation and contract.

JMG:MDB:JJS

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