



# Request for Proposals

## Audit Services

Issue Date: October 15, 2014

Response Due Date: November 17, 2014, 5 p.m.



MAYOR GARY O. PHILLIPS  
VICE MAYOR DAMON CONNOLLY  
COUNCILMEMBER MARIBETH BUSHEY  
COUNCILMEMBER KATE COLIN  
COUNCILMEMBER ANDREW CUYUGAN MCCULLOUGH

## CITY OF SAN RAFAEL REQUEST FOR PROPOSALS FOR AUDIT SERVICES

### A. INTRODUCTION

The City of San Rafael (City) is requesting proposals from qualified firms for audit services for the fiscal years ending June 30, 2015 through June 30, 2018, with the option of extending the engagement for an additional two years. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) Government Auditing Standards, the provisions of the Federal Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments.

In lieu of a pre-proposal conference, the City will accept written questions through October 31. Answers to the questions will be provided to all of those who confirm their interest in responding to the RFP. The purpose of the questions is to ensure that all proposing firms have a proper understanding of the engagement.

**Questions and RFP clarifications (accepted through 12 noon on Friday, October 31, 2014):**

[finance@cityofsanrafael.org](mailto:finance@cityofsanrafael.org)

**To be added to the list of those receiving answers to all questions submitted, please submit an email to the address above with "Audit RFP Questions" in the subject line. Those who directly submit questions will automatically be added to this list.**

**Proposals must be received by:**

**Monday, November 17, 2014**  
5 p.m. at San Rafael City Hall

Attn: Mark Moses, Finance Director  
City of San Rafael  
1400 5th Avenue, Room 204  
San Rafael, CA 94901-1943

## **B. SCOPE OF WORK TO BE PERFORMED**

The City desires the external auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles.

The City combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an "in-relation to" report on the supporting schedules based on auditing procedures applied during the audit of general-purpose financial statements and the combining and individual fund financial statements schedules.

The City of San Rafael for the past few years has participated in and has been a recipient of the GFOA Financial Reporting Award. The auditor will be required to prepare the general purpose financial statements and combining statements for the City's Comprehensive Annual Financial Report (CAFR). It is anticipated that the auditor is familiar with and will provide assistance in meeting the requirements of these programs. The City will be responsible for preparing the introductory and statistical sections.

The respondent will also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

The respondent will provide opinions as to the compliance with the Federal Single Audit Act and OMB Circular A-133. The respondent is not required to audit the Schedule of Expenditures of Federal Awards. However, the respondent is to provide an "in-relation-to" report on the schedule based on the auditing procedures applied during the audit of the financial statements.

## **C. CITY FINANCIAL TRANSACTION PROCESSING AND REPORTING / Y-E CLOSE**

The City uses Eden Software (version 5.10.1.5) for its financial transaction processing (including accounts payable, payroll, and general ledger). The City maintains 42 funds, including one enterprise fund for parking services, and a private-purpose trust fund for the San Rafael Successor Agency.

The Finance Department recently implemented ProSystem fx Engagement in order to produce its government-wide and fund statements. For fiscal year 2014-2015, the City believes it can make available its government-wide financial statements and fund financial statements in addition to its trial balance and footnotes ahead of the start of final fieldwork.

The Finance Department staff and responsible management personnel will be available during the audit to assist the auditors by providing information, documentation and explanations. The auditors will be expected to coordinate their services with the Finance Director and should endeavor to accomplish the audit on a phased basis throughout the year to reduce the year-end workload on the City's staff.

## D. AUDITING STANDARDS TO BE FOLLOWED

To meet the requirements of this request for proposal, the audit shall be performed in accordance with:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA),
- Standards for financial audits set forth in the U.S. Government Accountability Office's Government Auditing Standards ("Yellow Book"),
- Provisions of the Single Audit Act,
- Provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and
- Applicable State of California audit guidelines.

## E. REQUIRED REPORTING

- **Comprehensive Annual Financial Report** is to be prepared by the auditing firm, to be issued on the fair presentation of the financial statements in conformity with generally accepted accounting principles. The issuance of the **CAFR will be no later than October 31**, following the end of each fiscal year. The audit firm will provide 15 bound copies and one camera-ready PDF.
- **Single Audit Report** will include a City prepared Schedule of Expenditures of Federal Awards. The issuance of the **Single Audit will be no later than October 31**, following the end of each fiscal year. The audit firm will provide 10 bound copies of the Single Audit report with independent opinions as to the compliance with the Federal Single Audit Act and OMB Circular A-133. When applicable, the respondents will provide independent opinions as to the compliance with State granting agencies.
- **Audit Report for the Child Development and Nutrition Programs** in accordance with the Audit Guide issued for financial and compliance audits by the State of California Department of Education. The issuance of the **Child Development Report will be no later than October 15** following the end of each fiscal year. The audit firm will provide 10 bound copies of the report.
- **Agreed-upon Procedures Applied to the Appropriations Limitation** prescribed by Article XIII-B of the California Constitution. The Independent Accountant's Report on Agreed-upon procedures will follow the League of California Cities publication entitled *Article XIII-B Appropriation Limitation Uniform Guidelines* and the recommendations of the California Committee on Municipal Accounting White Paper covering the same subject matter. The audit firm will provide 10 copies of the report by October 31, following the end of the each fiscal year.
- **Memorandum on Internal Control and Required Communications** will be prepared

by the audit firm to communicate any observations for improvements in the City's financial operations and any deficiencies in internal controls that need to be addressed by the City. The audit firm will provide 10 copies of the letter by October 31, following the end of each fiscal year.

In addition to bound reports noted above, the audit firm will provide one electronic version of each report to the City.

No later than January 31 of each year, the audit firm and the City will establish dates and requirements for the interim audit (usually March or April) and final field work (usually early September).

## **F. INFORMATION REQUESTED FROM THE PROPOSING FIRMS**

The City will accept proposals from firms in a two step process. Proposing firms are asked to submit their proposals in two separate sealed envelopes: the main proposal highlighting their technical and qualitative abilities and the second envelope with their pricing for the deliverables and hourly rates for additional work. The City will screen the "services proposals" for the purpose of inviting two or three firms to proposal interviews. The City will only open the pricing of the top three rated firms from the proposal screening (the City may choose to interview fewer than three firms). Proposals and unopened pricing envelopes will be kept by the City until a contract is signed with the selected firm.

## **G. SERVICES PROPOSAL (Three copies)**

To achieve a uniform review process and obtain the maximum degree of comparability, it is required that proposals be organized in the manner specified below:

### 1. Title Page

Show the RFP subject, the name of the proposing firm, local address, telephone number, name of contact person and date.

### 2. Table of Contents

### 3. Letter of Transmittal (limit to one page)

- a. Briefly state the understanding of the work to be done and make a positive commitment to perform the work within the time period.
- b. Give the names of the persons who will be authorized to make representations for the proposing firm, their titles, addresses and telephone numbers.

### 4. Profile of the Proposing firm

- a. Give the location of the office from which the work is to be done and the number of partners, managers, supervisors, seniors and other staff employed at the office.

- b. Describe the range of activities performed by the local office such as: audit, accounting, tax service or management services.
- c. Provide any additional profile information that is relevant to the firm's ability to fulfill the scope of work described in this RFP.
- d. Describe the firm's participation in the "Peer Review" program. Provide the date and extent of the local office's last participation. Please provide a copy of opinion of Peer Review inspection.

5. Summary of Proposal's Qualifications (in addition to minimum qualifications).

- a. Identify the partners, managers, supervisors and seniors who may work on the audit, including staff from other offices.
- b. Please specify which of those listed in "a." is licensed as a CPA with the ability to attest an opinion on an audit.
- c. For each person at the supervisory level or higher, please include their resumes as an appendix.
- d. Describe recent auditing experience similar to the type of audit requested. Specifically, address experience related to the audit of:
  - Municipalities complying with OMB Circular A-133.
  - Describe the engagement team experience and capabilities to assist government bond reporting requirements.
  - Describe the professional activities of your firm or of the staff members who support your commitment to governmental accounting.
  - Describe any regulatory action taken against your firm, local office, or any partners at the submitting office.

6. List of references

- a. Give names, addresses and telephone numbers of five current municipal audit clients served by your local office.
- b. Include the type of services performed, dates and length of service for each.

7. Using no more than one page for each question, please respond to the following:

- a. What action is your firm taking to prepare municipal audit clients for the implementation of GASB Statement No. 68?
- b. Provide a timeline covering the period from the end of final fieldwork through the production of the CAFR and other documents listed in Section E. Include key activities and deliverables from both the City and the audit firm.

8. Schedule of audit hours needed to accomplish the reports indicated in this RFP.

- a. Clearly describe the position and hours of each participating member of the team to accomplish the first year of the services and the second year of the services.
- b. We understand the number of hours for a first year audit firm will be significant higher than the hours for subsequent years.
- c. The second year of hours should be indicative of the amount of time to be dedicated exclusive of the accumulation of the systems and permanent audit files.

**H. PRICING PROPOSAL (One copy)**

The Pricing Proposal must be submitted in a separate envelope and should include the following three components:

- 1. Cover or transmittal page specifying that the proposing firm will honor the prices for 90 days from the submittal deadline and who at the firm is authorized to negotiate the prices and contract provisions on behalf of the firm.
- 2. A pricing schedule as formatted similar to the one noted below indicating the prices for each component of the service by year.
- 3. Schedule of hourly rates for all firm positions for services outside the scope of the proposal. Rates should be specified by position and by year. Hourly rates beyond the first year may be indicated by the use of a fixed escalator (e.g. 3% or 4% per year). Please do not use escalators that are not known at this time (e.g., CPI).

Pricing schedule must include all other expenses, including travel, data entry, clerical and printing costs in the total audit fee. The proposal must be on a fixed fee basis inclusive of all expenses and allocated as follows:

Fiscal Year ending:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	Option Year <u>2019</u>	Option Year <u>2020</u>
Comprehensive Annual Financial Stmtms						
Single Audit (assuming two major programs)						
Child Development Report						
Appropriations Limitation Agreed-Upon Procedures Report						
Total by Year						

**Right to re-negotiate prices:**

The City maintains the right to re-negotiate the prices with the selected firm before entering into a contract for services. If submitted prices are comparable to the other pricing envelopes opened from the top three firms, the prices submitted will most likely be used for the contract.

## **I. EVALUATION OF PROPOSALS**

Proposals will be evaluated by the Audit Proposal Committee to ascertain which proposing firm best meets the need of the City. Factors to be considered are:

1. Clear understanding of the work to be performed, the ability to meet the timeframes for completing the indicated reports.
2. The quality of response to the questions posed in Part G 7. (page 6)
3. The audit team's verifiable, relevant experience and independence, and demonstrated ability to provide the services described in Parts B, D and E to similar agencies.
4. The reasonableness of hours and level of staff dedicated to complete the audit services as indicated by the schedule of audit hours.

All proposals will be evaluated by first using the criteria of factors 1 through 4, after which time the pricing proposals will be opened. After the top firms have been selected, the City may invite up to three firms for on-site interviews. Additional, less formal interviews and requests for information may be arranged anytime during the selection process to assist in making the final decision.

The selected firms will interview with an evaluation panel that will include at least one member of the City Council Finance Committee on the afternoon of December 4, 2014. Those invited to interview will be notified by November 21, 2014. The pricing will be summarized for the evaluation panel. Copies of the proposals of the firms to be interviewed will be provided to the evaluation panel along with the results of the screenings.

The City reserves the right to select a firm on any combination of price, experience in auditing governmental agencies, references and other features that are deemed to be in the best interests of the City. All factors will be considered in the selection process.

## **K. ADDITIONAL INFORMATION AND CONTACT**

1. The submission of a proposal shall be prima face evidence that the proposing firm has full knowledge of the scope, nature, quantity and quality of work to be performed.
2. The City will not be liable for any costs not included in the proposal and subsequent contracted-for costs.
3. The City reserves the right to conduct personal interviews of any or all proposing firms prior to the award of contract.
4. The City reserves the right to negotiate the final prices for the services with the top selected firm and the right to negotiate with any firm that submits a proposal that meets the requirements of the City and is submitted within the prescribed deadlines.
5. The City reserves the right to reject any and all proposals, the right in its sole discretion to accept the proposal it considers most favorable to the City's interest, and the right to

waive minor irregularities in the procedures.

6. The City reserves the right to modify the composition of the interview panel.
7. The contracting firm shall make itself available to the City Council and management to answer questions related to audit findings.
8. Compensation for the conduct of audit service will be paid upon submission of progress billings and of a final billing, along with the required reports.
9. The successful proposing firm will be required to sign the standard City Professional Services Agreement, including meeting the City's minimum insurance requirements of:
  - a. Comprehensive general liability insurance policy in the amount of \$1,000,000 per occurrence for death, bodily injury, personal injury or property damage.
  - b. Automobile liability (owned, non-owned and hired vehicles) insurance policy in the amount of \$1,000,000 per occurrence.
  - c. Professional liability insurance policy in the amount of \$1,000,000 to cover any claims arising out of the audit firm's performance of services.
10. City staff requests that, once proposals have been submitted, no unsolicited contact and/or discussions concerning these proposals be made prior to the evaluation of all proposals.
11. The total audit staffing should be at a level sufficient to complete the audit in the time scheduled and specified in the RFP. In addition, the audit staff should remain constant through each year's audit process. At least one staff member from the prior year's audit is to be a member of the subsequent year's audit team.

Additional communications and information requests should be directed through the process described in Part A.

Simple phone requests for copies of the City's CAFR or budget information are acceptable by calling finance staff-member Van Bach at (415) 458-5001.

#### **Summary of Key Dates –**

Distribution/Posting of RFP	October 15, 2014
Questions / Requests to be included on City Responses	October 31, 2014 (noon)
RFP submissions	November 17, 2014 (5 p.m.)
Notification of those selected to interview	November 21, 2014*
Interview with selection panel	December 4, 2014*
Final selection announced	December 11, 2014 *
City Council Approval	January 5, 2015*

\* These dates are subject to change at the discretion of the City; however the City will make every effort to adhere to this schedule.