

City of Pinole



Request for Proposal for Professional Auditing Services

Issued: March 20, 2018
Closes: April 9, 2018

2131 Pear Street
Pinole, CA 94564

REQUEST FOR PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

I. INTRODUCTION

The City of Pinole (“City”) is requesting proposals from qualified firms of certified public accountants for auditing services for the fiscal years ending June 30, 2018 through June 30, 2020, with an option to extend the contract at one-year intervals, not to exceed a total of two additional fiscal years. This Request for Proposal (RFP) outlines the scope of this proposal, information required, evaluation criteria, and other relevant information. Responding firms are solely responsible for any expenses incurred in preparing proposals in response to the request. If your firm would like to consider this engagement, we invite your response due no later than **4:30 PM on April 9, 2018**.

Additional information may be obtained by contacting:

Andrea Miller, Finance Director
Phone: 510-724-9823
Email: amiller@ci.pinole.ca.us

Proposers must submit three (3) bound and one electronic copy of their proposals by **4:30 PM April 9, 2018** to the following address:

City of Pinole
Attn: Andrea Miller, Finance Director
2131 Pear Street
Pinole, CA 94564
amiller@ci.pinole.ca.us

The City reserves the right to reject any or all proposals submitted. During the evaluation process, the City of Pinole reserves the right, where it may serve the City’s best interest, to request additional information or clarification from proposers, or to allow corrections of errors or omissions.

The City of Pinole reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected.

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Pinole and the firm selected.

Materials submitted by respondents are subject to public inspection under the California Public Records Act, unless exempt. Any language purposing to render the entire proposal confidential or proprietary will be ineffective and will be disregarded.

II. SCOPE OF WORK TO BE PERFORMED

The City of Pinole is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2018, and the two subsequent fiscal years thereafter, with an option to extend the contract two additional years in one-year increments, not to exceed a total of five fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals. In addition, the auditor will be required to prepare the City's Comprehensive Annual Financial Report (CAFR) and separate financial statements for the Successor Agency to the Pinole Redevelopment Agency.

The City's goal is to provide its constituents and the General Public with a Comprehensive Annual Financial Report that gives complete, accurate and understandable information about the City's financial condition, in conformance with standards established by the Government Accounting Standards Board (GASB) and review standards of the Government Finance Officers Association (GFOA). The City of Pinole desires the Auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted governmental accounting principles.

The Auditor is not required to audit the combining and individual fund financial statements and supporting schedules. However, the Auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements. The Auditor is not required to audit the introductory section of the report or the statistical section of the report.

The Auditor shall also be responsible for performing certain limited procedures involving management's discussion and analysis (MD&A) and required supplementary information (RSI) required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

The Auditor is not required to audit the schedule of expenditures of federal awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

III. AUDITING STANDARDS TO BE FOLLOWED

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

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;
- Standards for financial audits set forth in the U.S. Government Accountability Office's Government Auditing Standards;

- Provisions of the Single Audit Act;
- Provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

IV. REPORTS TO BE ISSUED

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue the following reports:

1. **Comprehensive Annual Financial Report (CAFR)** - A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards "in relation to" the audited financial statements. The audit firm will provide 15 bound copies and one PDF copy.
2. **Basic Financial Statements of the Successor Agency** – A separate audit report for the financial statements of the Successor Agency to the Pinole Redevelopment Agency, a private-purpose trust fund administered by the City of Pinole. The audit firm will provide 15 bound copies and one PDF copy.
3. **Single Audit Report** – The City may receive federal funds that require a Single Audit Report issued. This report must satisfy all requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) 2 CFR 200.501. The audit firm will provide 10 bound copies and one PDF copy.
4. **Management Letter (SAS 114)** – The auditor shall issue a separate management letter that includes recommendations and disclosures of material and non-material weakness for improvements in the City's financial operations. The audit firm will provide 10 copies and one PDF copy.
5. **Internal Control Report** - A report on internal controls over compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. The audit firm will provide 10 copies and one PDF copy.
6. **Agreed Upon Procedures Applied to the Appropriations Limit** – The auditor shall perform agreed-upon procedures recommended by the League of California Cities as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*. The audit firm will provide 10 copies and one PDF copy.

7. **Agreed Upon Procedures Applied to Measure S 2006 and Measure S 2014**
 - The auditor shall prepare a report of Agreed Upon Procedures related to the collection and disbursement of local Use Taxes (Measure S 2006 and Measure S 2014) collected separately that augment Bradley Burn Sales Tax Revenue disbursements by the State Board of Equalization. The audit firm will provide 10 copies and one PDF copy.
8. **Other Reports** - As requirements change, additional reports may be added as additional work, as covered in this RFP by the terms for such work.

V. INTERNAL CONTROL AND COMPLIANCE REPORTS

In the required reports on internal control and compliance and other matters, the auditor shall communicate in a letter to management any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls.

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the Finance Director, the City Manager, and the City Attorney.

VI. AWARDS

The City of Pinole has obtained the *Certificate of Achievement for Excellence in Financial Reporting* from the Government Finance Officers Association of the United States and Canada for twenty consecutive years. It is the City's intention to continue to receive these awards annually and will expect the comprehensive annual financial report to meet the requirements of those programs. The auditor will be expected to review the final draft of the CAFR for compliance with the certificate program checklists.

VII. WORKING PAPER RETENTION AND ACCESS TO WORKING PAPERS

All working papers and reports must be retained, at the Auditor's expense, for a minimum of five (5) years, following the completion of the audit, unless the firm is notified in writing by the City of Pinole of the need to extend the retention period. The auditor will be

City of Pinole

RFP for Professional Auditing Services

required to make working papers available, upon request, to the following parties or their designees:

- City of Pinole;
- Oversight or cognizant agencies;
- Parties designated by the federal or state governments or by the City of Pinole as part of an audit quality review process;
- Auditors of entities of which the City of Pinole is a sub-recipient of grant funds;
- State of California, Office of the State Controller.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

VIII. PRINCIPAL CONTACT

The Auditor's principal contact with the City of Pinole will be the Finance Director, Andrea Miller, who will coordinate the assistance to be provided by the City to the auditor. She can be contacted at 510-724-9823.

IX. BACKGROUND INFORMATION

The City of Pinole serves an area of 5 square miles with a population of 18,975. The City of Pinole's fiscal year begins on July 1 and ends on June 30.

The City was incorporated June 25, 1903. Pinole is a general law city operated under a Council-Manager form of government. The City is governed by a five-member council, who serve four-year overlapping terms, and are elected at large by City residents. The office of the mayor is rotated amongst council members annually. The City provides a full range of municipal services and is organized into six (6) departments, providing services to its residents for: police & fire protection, development services (including building inspection, planning & zoning), highway & street maintenance, parks and leisure services, and general administration. The City operates a Utility Enterprise for the collection and treatment of sewage. Electric, gas, cable television and refuse services are provided by franchise agreements. The water utility is operated by an independent Special District (East Bay Municipal Utility District). The City of Pinole has a combined budget of \$45.9 million and approximately 95 full-time equivalent employees. More detailed information on the City government and its finances can be found in the Comprehensive Annual Financial Report.

The City contributes to the California Public Employees' Retirement Systems (CalPERS), a multiple-employer public employee retirement system that acts as a

City of Pinole

RFP for Professional Auditing Services

common investment and administrative agent for participating public entities within the State of California.

Copies of the City's recent audited financial statements and budgets are available online at: <http://www.ci.pinole.ca.us/admin/finance.html>

The City of Pinole uses the following fund types and account groups in its financial reporting:

Fund Type/Account Group	Number of Individual Funds
General Fund(s)	4
Special Revenue Funds	22
Debt Service Funds	0
Capital Project Funds	8
Enterprise Funds	3
Internal Service Funds	2
Agency Funds	5
Private Purpose Trust funds	1

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles (GAAP) and standards established by the Governmental Accounting Standards Board (GASB). Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when both measurable and available. Expenditures are recognized when the liability is incurred. Debt service obligations are appropriated when due.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses when the liability is incurred regardless of timing of related cash flows.

The basis of budgeting is consistent with the basis of accounting discussed above. Appropriations that are budgeted and not expensed at the end of the year lapse and revert to fund balance.

The City currently uses Tyler Technologies Incode 10 financial software.

X. ASSISTANCE TO BE PROVIDED

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.

1. City Staff will prepare the final closing of the accounting ledgers. The City will provide the auditor with a *Trial Balance by Fund* and all of the accounting transaction detail necessary to perform the audit.
2. City Staff will generate the necessary confirmation letters for the Auditor.
3. City Staff will assist with the preparation of the *Notes Disclosures* for the financial statements and required supplementary schedules.
4. City Staff will prepare the Statistical Section of the CAFR Document, but the Auditor will be required to confirm that these schedules are adequate to meet GFOA Reporting Standards.
5. The City will provide the auditor with reasonable workspace, and access to a telephone line, photocopier, and Internet access for field work at City Hall.

XI. TENTATIVE SCHEDULE FOR THE 2017-18 FISCAL YEAR AUDIT

1. Entrance conference	After May 21, 2018
The purpose of this meeting will be to discuss any prior audit problems and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the Auditor.	
2. Detailed Audit Plan	June 30, 2018
The auditor shall provide both a detailed audit plan and a list of all schedules to be prepared by the City of Pinole.	
3. Interim Work	June 2018
4. Fieldwork	October 2018
5. Draft Reports	November 29, 2018
The auditor shall have drafts of the audit reports and recommendations to management, available for review. The Finance Director will complete a review of the draft as expeditiously as possible. It is not expected that this process should exceed one week. During that time period, the Auditor should be available for any meetings that may be necessary to discuss the audit reports.	
6. CAFR complete and ready to print	December 31, 2018
7. Single Audit	January 23, 2019

The auditor shall have final reports of the audit process and recommendations to management available for submission to the GFOA, City Council and State Controller by these dates.

XII. TENTATIVE SCHEDULE FOR SELECTION PROCESS

Request for proposal issued	March 20, 2018
Due date for proposals	April 9, 2018, 4:30 PM
Interview with Finalists *	April 17, 2018
Selected firm notified *	April 26, 2018
Contract date *	May 15, 2018

* Projected dates, subject to change.

XIII. PROPOSAL REQUIREMENTS

All participating firms are requested to provide the following information in their response:

1. **Title Page** - Title page showing the request for proposals subject; the firm's name; the name, address and telephone number, and e-mail address of the contact person; and, the date of the proposal.
2. **Table of Contents**
3. **Letter of Transmittal** - A signed letter of transmittal briefly stating the firm is properly licensed to practice in California (including all the assigned professional staff to the engagement); proposer's understanding of the work to be done; the commitment to perform the work within the time period; a statement why the firm believes itself to be best qualified to perform the engagement; and, a statement that the proposal is a firm and irrevocable offer for a minimum of 60 days.
4. **Detailed Proposal** - The detailed proposal should include information set forth under Auditing Proposal Section XIII A below.

A. Auditing Proposal

1. Summary of Firm's Qualifications
 - a. The proposer shall state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, and all personnel who may be assigned to work on the audit. Include brief summaries of their background (including if they hold a CPA license) and experience in auditing cities as well as their assigned responsibilities under the proposal.
 - b. The proposer is required to submit a copy of its most recent external quality control review, any findings discovered as part of that review, and

actions taken to correct those findings. The firm also must disclose information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations, as well as any pending or settled litigation within the past three (3) years.

2. Independence

The firm shall provide an affirmative statement that is independent of the City of Pinole as defined by the U.S. General Accounting Office's Government Auditing Standards (1994 edition, with all subsequent amendments).

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the City of Pinole or any of its component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City of Pinole written notice of any such professional relationships entered into during the period of this agreement.

3. License to Practice in California

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in the State of California.

4. List of References

- a. Provide the names, address and telephone numbers of at least three, maximum of five current municipal audit clients served by your local office.
- b. Indicate the scope of work, dates, and total hours for each.

5. Specific Audit Approach

The proposal shall set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal.

Proposers should consider providing the following information on their audit approach:

- a. Proposed segmentation/staging of the engagement;

- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement;
- c. Sample size and the extent to which statistical sampling is to be used in the engagement;
- d. Type and extent of analytical procedures to be used in the engagement;
- e. Approach to be taken to gain and document an understanding of the City of Pinole's internal control structure;
- f. Approach to be taken in determining laws and regulations that will be subject to audit test work;
- g. Approach to be taken in drawing audit samples for purposes of tests of compliance;
- h. Provided By Client (PBC) List

The proposal shall include a list of standard client-prepared audit schedules the firm anticipates City staff will provide as audit support.

B. Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The dollar cost bid shall contain all pricing information relative to performing the audit engagement for each of the three contract years as described in this request for proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The City of Pinole will not be responsible for expenses incurred in preparing and submitting the technical proposal or the dollar cost bid. Such costs shall not be included in the proposal.

The dollar cost bid shall include the following information:

- a. Name of Firm;
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City of Pinole;

c. A Total All-Inclusive Maximum Price for the each year of the engagement.

2. Rates by Partner, Specialist, Supervisory and Staff Level, Times Hours Anticipated for Each

The bid shall include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix F), supporting the total all-inclusive maximum price for each year. The cost of special services described in Section II E of this request for proposal shall be disclosed as separate components of the total all-inclusive maximum price.

3. Rates for Additional Professional Services

If it should become necessary for City of Pinole to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between City of Pinole and the firm. Any such additional work agreed to between City of Pinole and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the proposal for auditing services.

4. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Interim billing(s) shall cover a period of not less than a calendar month. Invoices for separate reports should be sufficiently detailed or segregated to facilitate the charging of costs to the programs/activities being audited.

XIV. EVALUATION PROCEDURES

A. Evaluation of Proposals

Proposals submitted will be evaluated by the Finance Director, the City Manager and Assistant City Manager, with the top three (3) firms invited for proposal interviews. The top two (2) firms will be recommended for review by the Finance Subcommittee.

The City of Pinole reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

B. Evaluation Criteria

Proposals will be evaluated to ascertain which proposing firm best meets the need of the City. The following criteria will be used to evaluate responses to this proposal:

1. The proposal's responsiveness in clearly stating the understanding of the work to be performed.
2. The firm's indication of its ability to meet timeframes for completing the indicated reports.
3. Reasonableness of hours and level of staff dedicated to complete the audit services as indicated by the schedule of audit hours.
4. The firm's technical support, firm size and structure.
5. Qualifications and Related Experience of the audit team who will serve the City of Pinole (Managing Partner, Audit Manager and Senior Auditor Staff).
6. Experience of the Firm auditing California Cities and former Redevelopment Agencies.

C. Finance Subcommittee

The top two proposals will be evaluated by the three (3) member Finance Subcommittee of the Pinole City Council. They may be assisted by staff. Members of the Finance Subcommittee are as follows:

- Chair Mayor
- Vice Chair Mayor Pro-Tem
- Member City Treasurer

D. Final Selection

The City Council will select a firm based upon Finance Subcommittee evaluation and recommendation.

It is anticipated that a firm will be selected by April 25, 2018. Following notification of the firm selected, it is expected a contract will be executed between both parties by May 16, 2018.

E. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Pinole and the firm selected.

The City of Pinole reserves the right without prejudice to reject any or all proposals.

XV. SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE JUNE 30, 2018 FINANCIAL STATEMENTS

The maximum fees for the audit of the City of Pinole should be provided in the following format for fiscal years ended June 30, 2018, 2019, 2020, 2021 and 2022. The fees should be inclusive of any out of pocket expenses incurred by the audit firm:

A.

	2017-18	2018-19	2019-20	Option Year 2020-21	Option Year 2021-22
Basic Reports to be Issued:					
City Audit, CAFR, Report on Internal Controls & Management Letter	\$	\$	\$	\$	\$
Audit of Pinole Successor Agency including Basic Financial Statements	\$	\$	\$	\$	\$
Single Audit & Related Reports	\$	\$	\$	\$	\$
Agreed Upon Procedures - Local Use Taxes	\$	\$	\$	\$	\$
Agreed Upon Procedures - Appropriations Limit	\$	\$	\$	\$	\$
Report of City Financial Transactions to the SCO	\$	\$	\$	\$	\$
Additional Reports Requested at City Option:					
Street Report to the SCO	\$	\$	\$	\$	\$
TOTAL	\$	\$	\$	\$	\$

B. Hourly Rates of the Firm's Employees should be provided by the firm for services which may be requested outside the scope of the audits as follows:

	2017-18	2018-19	2019-20	Option Year 2020-21	Option Year 2021-22
Partner	\$	\$	\$	\$	\$
Manager	\$	\$	\$	\$	\$
Senior Accountant	\$	\$	\$	\$	\$
Staff Accountant	\$	\$	\$	\$	\$
Clerical	\$	\$	\$	\$	\$