



City of Reedley

City Hall
845 G. Street
Reedley, CA 93654
(559) 637-4200

DATE: September 5, 2019

TO: Audit Firms Interested in Responding to a Request for Proposal

FROM: Paul A. Melikian, Assistant City Manager

SUBJECT: Notification of Interest – Professional Audit Services

The City of Reedley is soliciting proposals from qualified firms of Certified Public Accountants to audit the City of Reedley's financial statements for the fiscal year ending June 30, 2020, with the option of auditing the City of Reedley's financial statements for four (4) subsequent years.

To be considered for this engagement, your firm must meet the qualifications and satisfy the requirements set forth in the Request for Proposal (RFP). Completed proposals must be received by 4:00PM on October 4, 2019 and must be submitted to:

Paul A. Melikian
Assistant City Manager
City of Reedley
845 G. Street
Reedley, CA 93654
Paul.Melikian@reedley.ca.gov

All questions and correspondence should be directed to the above address or e-mail. The City is requesting three (3) hard copies of your firm's proposal, or one (1) proposal may be submitted electronically.

REQUEST FOR PROPOSAL

**The City of Reedley is requesting
Proposals for:**

Professional Audit Services

RELEASE DATE: September 5, 2019

RESPONSE DUE: October 4, 2019

**CITY OF REEDLEY
REQUEST FOR PROPOSAL
PROFESSIONAL AUDITING SERVICES
September 5, 2019**

I. INTRODUCTION

A. General Information

The City of Reedley is requesting proposals from qualified firms of Certified Public Accountants to audit its financial statements for the fiscal year ending June 30, 2020, with the option of auditing its financial statements for each of the four (4) subsequent fiscal years, at the City's sole discretion.

The audits are to be performed in accordance with generally accepted auditing standards issued by the Comptroller General of the United States, the provisions of the Federal Single Audit Act, and the United States Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

There is no expressed or implied obligation for the City of Reedley to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et. set.), unless exempt. Any language purporting to render the entire proposal confidential or proprietary will be ineffective and disregarded.

Any inquiries concerning the request for proposals should be addressed to Paul A. Melikian, Assistant City Manager.

To be considered, three (3) hard copies or one (1) electronic copy of a proposal must be received by Paul A. Melikian by 4:00 pm on October 4, 2019. The City of Reedley reserves the right to reject any or all proposals submitted. Proposals submitted will be evaluated City staff.

During the evaluation process, the City of Reedley reserves the right, where it may serve the City of Reedley's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. Up to three (3) firms will be selected as finalists and may be requested to make oral presentations as part of the evaluation process.

It is anticipated that a recommendation and proposed contract will be prepared for review and approval by the City Council at its November 12, 2019 meeting. The proposal package shall present all-inclusive audit fees for each year of the proposed contract term.

B. Term of Engagement

At minimum, a five-year contract is contemplated, with optional extensions, subject to meeting the Auditor Rotation Requirements for Annual Audits of Local Governments set forth in AB1345, an annual review and recommendation of City Staff, the satisfactory negotiation of terms (including a price acceptable to both the City of Reedley and the

selected firm), the concurrence of the City Council, and the annual availability of an appropriation. Either party shall have the option to terminate the audit agreement with a 60 day's written notice.

The City of Reedley is soliciting the services of qualified firms of Certified Public Accountants to audit its financial statements for the fiscal year ending June 30, 2020, with the option to audit the City of Reedley's financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposal.

II. NATURE OF SERVICES REQUIRED

A. Reports to be Issued/Requested Services

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

1. A report on the fair presentation of the financial statements in conformity with Generally Accepted Accounting Principles (GAAP).
2. A report on compliance and on internal controls over financial reporting based on an audit of financial statements performed in accordance with government auditing standards.
3. A report on compliance with requirements applicable to each major program and internal control over compliance with OMB Circular A-133, if required.
4. With staff assistance, the preparation of the Management Discussion and Analysis.
5. A report on the Reedley Public Financing Authority (RPFA), if required. The City currently does not have activity for this entity.
6. The schedule of expenditures of federal awards.
7. Preparation of GASB 68 and required journal entries (Actuarial service cost to be borne by the City).
8. Within reasonable expectation, preparation of all current and future GASB requirements.
9. Calculation of the Debt Covenant Ratio of issued debt for the City's Water and Sewer Bonds, SRF Loan and future obligations
10. Submission of the audit to the Municipal Securities Rulemaking Board (MSRB) to the Electronic Municipal Market Access (EMMA) Data Portal
11. With City staff input, completion and submission of the form SF-SAC through the Federal Clearing House.
12. The upload of the final audit to the State Controller's Office.
13. The schedule of significant findings and questioned expenses, if required.

14. The status of prior year's findings and questioned expenses, if required.
15. In the required report(s) on internal controls, the auditor shall communicate 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 report(s) on internal controls.

The report on compliance shall include all material instances of non-compliance. All non-material instances of non-compliance shall be reported in a separate management letter, which shall be referred to in the report on compliance.

E. Additional Reports to be Prepared

The City also requests that each of the following services to be included in the quote as individual fee items:

1. With minimal City staff assistance, preparation of the State Controllers Report for the City consisting of Cities and Special Districts.
2. With minimal City staff assistance, preparation of the Annual Street Report.

F. 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 three (3) years unless the firm is notified in writing by the City of Reedley of the need to extend the retention period. The auditor will be required to make working papers available, upon request. 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.

III. DESCRIPTION OF THE GOVERNMENT

A. Name of Contact Team

The following individuals will be the auditor's principal contacts with the City of Reedley, and will coordinate the assistance to be provided by the City to the Auditor.

1. Paul A. Melikian, Assistant City manager
2. Lori Oken, Accounting Manager
3. Tiffany Couto, Accountant

B. Background Information

The City of Reedley's fiscal year begins on July 1 and ends on June 30.

The City of Reedley provides the following services to its residents: Police and Fire services, Street Maintenance, Water, Sewer, Solid Waste, Airport, Parks and Recreation Services, and Community Development.

More detailed information on the government and its finances can be found in:

1. 2019-2020 Annual Budget.

C. Fund Structure

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

Fund Type / Account Group	Number of Individual Funds
General Fund/GF Reserve	2
Special Revenue Funds	23
Fiduciary Trust Fund	1
Capital Projects Funds	18
Enterprise Funds	4
Internal Service Funds	2

D. Availability of Prior Audit Reports and Working Papers

Interested parties who wish to review prior years’ audit reports can view them on the City’s website at the following link:

http://www.reedley.com//departments/administrative/financial_information

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Request for proposals issued	September 5, 2019
Due date for proposals	October 4, 2019
Notification of Interviews	October 11, 2019
Presentation of Audit Contract to City Council	November 12, 2019

B. Schedule for the 2020 Fiscal Year Audit (a more comprehensive schedule will be developed for audits of future fiscal years)

1. Year-End Field Work

City staff shall provide, in electronic format only, detailed and summary financial reports to auditor no later than September 30, 2020.

2. Draft Reports

The auditor shall have drafts of the audit report(s), financial statements, and recommendations to management available for review by December 15, 2020, unless a different date is mutually agreed upon. Staff is requesting that all drafts be submitted in electronic format. Drafts should be completed in a timely manner in compliance with audit submission deadlines set forth by the County, State and Federal Government.

3. Date Final Report is Due

Staff will complete their review of the draft report as expeditiously as possible. It is anticipated that this process will be completed and the final audit delivered on December 22, 2020. The City may request a representative of the audit firm to attend a future City Council meeting to present the audited financial report.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Personnel Assistance and Electronic Inquiry

Personnel will be available during the audit to assist the firm by providing information, documentation and explanations. However, the department does not have dedicated staff that will provide assistance to auditors in the research and sampling of items. The preparation of confirmation letters that require City staff's signature will be the responsibility of the audit firm.

The City will facilitate access to electronic files, and the auditor will be provided computer access and the use of the City of Reedley's computer hardware and software for the limited use of testing, verifying, reports and inquiry functions. The majority of the City's financial information is in PDF or electronic format, with exception of the daily cash records. All daily cash backup documentation is a paper filing system that is in chronological order by date.

B. Report Preparation

Report preparation, editing and printing of the audit for the City shall be the responsibility of the auditor. Other items such as the auditor journal entries and supporting documentation are also the responsibility of the auditor, and should be due to the City by no later than December 15, 2020.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposal and the subject of the request for proposal must be made to:

Paul A. Melikian, Assistant City Manager
845 G. Street
Reedley, CA 93654
(559) 637-4200 Ext. 300
Paul.Melikian@reedley.ca.gov

2. Submission of Proposals

The following material is required for a proposing firm to be considered:

a. A Technical and Comprehensive Dollar Cost Proposal to include the following:

- i. Title Page showing the request for proposals subject; the firm's name; the name, address and telephone number of a contact person; and the date of the proposal.
- ii. Transmittal Letter, signed, briefly stating the 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 an irrevocable offer for 60 days.
- iii. Detailed Proposal following the order set forth in Section VI (B) and (C) of this request for proposal.
- iv. Executed copies of Proposer Guarantees and Warranties, attached to this request for proposal (Appendix A).

b. The proposer shall include a comprehensive dollar cost bid within the proposal.

c. Proposers should send the completed proposal to the following address or e-mail:

Paul A. Melikian, Assistant City Manager
City of Reedley
845 G. Street
Reedley, CA 93654
Paul.Melikian@reedley.ca.gov

B. Technical Proposal

1. General Requirements

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City of Reedley in conformity with the requirements of this request for proposal. As such, the Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement.

The Technical Proposal should address all the points outlined in the request for proposal. The proposal should be prepared simply and economically, providing a straight forward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposal. While additional data may be presented, the following subjects, item numbers 2 through 5 must be included.

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Reedley as defined by Generally Accepted Auditing Standards / the US General Accounting Office's Government Auditing Standards (1994).

The firm should provide an affirmative statement that it is independent of all of the component units of the City of Reedley as defined by those same standards.

The firm should also list and describe its professional relationships involving the City of Reedley or any of its agencies or 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 Reedley written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in California

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

4. Firm Qualifications and Experience

The proposal should 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.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Similar Engagements with Other Government Entities / References

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last five years that are similar to the engagement described in this request for proposal. Engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

The proposal should also identify three (3) references from similar engagements. Please provide the name of the municipality, address, contact person, phone number and email.

C. Comprehensive Cost Bid

1. Total All-Inclusive Not-To-Exceed Price

The comprehensive dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive not-to-exceed price to be bid is to contain all direct and indirect costs, including all out-of-pocket expenses.

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

The first page of the comprehensive dollar cost bid should 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 Reedley.
- c. A Total All-Inclusive Not-To-Exceed Price for the 2020 engagement.
- d. Estimated All-Inclusive Not-To-Exceed Price for the 2021-20 through 2023-24 engagement option.
- e. Estimated All-Inclusive Not-To-Exceed Price for each of the two additional reports, the State Controller's Reports for the City Consisting of Cities and Special Districts and the Annual Street Report

2. Anticipated Rates, Times and Hours for Partner, Specialist, Supervisor and Staff

The second page of the comprehensive dollar cost bid should include a schedule of professional fees and expenses that supports the total all-inclusive maximum price for the City.

3. Total All-Inclusive Not-To-Exceed Price and Reimbursement Rates for Out-of-Pocket Expenses

All estimated out-of-pocket expenses to be reimbursed should be presented in the comprehensive dollar cost bid. All expense reimbursements will be charged against the total all-inclusive not-to-exceed price submitted by the firm. The audit firm will be expected to make all travel arrangements for its staff and include those expenses in this category.

VII. EVALUATION PROCEDURES

A. Evaluation Criteria

Firms meeting the mandatory criteria will have their proposals evaluated for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process.

Mandatory Elements

- a. The audit firm is independent and licensed to practice in California and has at least two (2) years of experience in performing audits of governmental entities.
- b. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.
- c. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.

B. Oral Presentations

During the final phase of the evaluation process, staff will convene a panel to conduct oral presentations. Such presentations will provide firms with an opportunity to answer any questions staff may have on a firm's proposal.

C. Final Selection

The selection of the audit firm will be made by City staff, with recommendation of approval by the City Council.

D. Right to Reject Proposals

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 Reedley and the firm selected. The City of Reedley reserves the right without prejudice to reject any or all proposals.

APPENDIX A

PROPOSER GUARANTEES AND WARRANTIES

- A. The proposer certifies it can and will provide and make available, at a minimum, all services set forth in section II of the RFP, Nature of Services Required.
- B. Proposer warrants that it is willing and able to comply with State of California laws with respect to foreign (non-state of California) corporations.
- C. The proposer's professional personnel have received adequate continuing professional education within the preceding two years and have at least two years of experience in performing audits of other governmental entities.
- D. The firm has no conflict of interest with regard to any other work performed by the firm for the City of Reedley.
- E. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing \$1,000,000 policy coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- F. Proposer warrants that it shall indemnify, defend, and hold harmless the City of Reedley and its officers, officials, employees and agents from and against any and all liability, loss, damage, expense, costs (including without limitation costs and fees of litigations) of every nature arising out of or in connection with proposers work hereunder or its failure to comply with any of its obligations contained in the agreement, except such loss or damage which was caused by the sole negligence or willful misconduct of the City.
- G. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the City of Reedley.
- H. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.
- I. Proposer warrants that if their firm is selected, they must acquire a City Business License while conducting any work with the City of Reedley.

Signature of Official _____

Name (typed) _____

Title: _____

Firm: _____

Date: _____