

CITY OF SHAFTER
REQUEST FOR PROPOSALS
For
PROFESSIONAL AUDITING SERVICES



James L. Zervis
Director of Administrative Services
City of Shafter
336 Pacific Avenue
Shafter, CA 93263

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CITY OF SHAFTER
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I. INTRODUCTION

A. General Information

The City of Shafter is requesting proposals from qualified certified public accountant firms to audit its financial statements for three fiscal years beginning with the fiscal year ending June 30, 2017, in addition to performing other financial audits and reviews as specified below. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of State and Local Governments and Non-Profit Organizations*.

There is no expressed or implied obligation for the City of Shafter 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 seq.), unless exempt.

To be considered, three (3) copies of a proposal must be received by James L. Zervis, Director of Administrative Services at 336 Pacific Avenue, Shafter, CA 93263, by **5:00 P.M. on November 30, 2016**. The City reserves the right to reject any or all proposals submitted.

During the evaluation process, the City of Shafter 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. At the discretion of the City of Shafter, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City reserves the right to retain all proposals submitted and to use any idea(s) in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in the request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Shafter and the firm selected.

It is anticipated the selection of a firm will be completed by **December 31, 2016**. Following the notification of the selected firm, a recommendation and proposed contract will be prepared for review and approval by the City Council at its **January 3, 2017** meeting. The City reserves the right to reject any or all proposals, to waive any non-material irregularities or information in any proposal, and to accept or reject any items or combination of items.

B. Term of Engagement

It is the intent of the City to contract for the services presented herein for a term of three (3) years. The proposal package shall present all inclusive audit fees for each year of the contract term.

II. NATURE OF SERVICES REQUIRED**A. Scope of the Work to be Performed**

The City of Shafter desires a Comprehensive Annual Financial Report (CAFR) and its component unit financial statements for the City of Shafter to be prepared by the independent auditor and be fully compliant with all current GASB pronouncements. The City will submit the CAFR to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting program. The city has received this award for annual for more than 18 years.

In addition to the CAFR, the City desires a separate audited financial statement for the City's Transportation Development Act Funds including compliance reporting pursuant to Section 6634 and 6637 of the California Code of Regulation and Sections 99268.3, 99268.4, and 99268.5 of the Public Utilities Code.

Also as a part of this engagement the City desires an Independent Accountants' Report on Agreement-Upon Procedures Applied to Appropriations Limit Schedule to insure compliance with Section 1.5 of Article XIII-B of the California Constitution.

The selected independent auditor will be required to perform the following tasks:

The audit firm will perform an audit of all funds of the City of Shafter. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States. **The City's Comprehensive Annual Financial Report (CAFR) will be prepared and word processed by the audit firm.** The CAFR will be in full compliance with all current GASB pronouncements. The audit firm will render their auditors' report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the City.

The audit firm will perform a single audit on the expenditures of federal grants in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the City's financial statements in accordance with *Government Auditing Standards* and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133. The single audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior audit findings where required.

The audit firm shall issue a separate “management letter” that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the City Manager.

B. Auditing Standards to be Followed

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

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accounts;
2. The standards applicable to financial audits contained in the most current version of the *Generally Accepted Government Auditing Standards* (Yellow Book), issued by the Comptroller General of the United States;
3. The provisions of the Single Audit Act as amended in 1996; and
4. The provisions of U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*.

C. Working Paper Retention

All working papers and reports must be retained at the auditor's expense for a minimum of seven (7) years, unless the firm is notified in writing by the City of Shafter of the need to extend the retention period. The auditor will be required to make working papers available to the City of Shafter or any government agencies included in the audit of federal grants. 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.

D. Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties: City Manager; City Attorney; and the Director of Administrative Services.

III. DESCRIPTION OF THE GOVERNMENT

A. Background Information

The City of Shafter is located in the Southern California County of Kern between Interstate 5 and Highway 99, approximately 110 miles north of Los Angeles. The City is rural in character and encompasses about 26 square miles of territory and has a population of approximately 18,000. The City’s fiscal year begins on July 1 and ends on June 30.

The City of Shafter was Founded in 1913, incorporated in 1938 and became a Charter City in 1995. The City operates under the Council/Manager form of government. Shafter, which is a full-service city, has eight Administrative Divisions. These include General Government, Administrative Services, Public Works, Community Development, Public Safety (Fire Services are contracted), Community Correctional Facility, Economic Development, Schools, and a Recreation Program. Fire Protection services are provided by the County of Kern and are funded with a portion of property taxes specified for fire and a contractual fee paid by the City. Water, Sewer and Trash services are provided by the City of Shafter and are consolidated within the Public Works Division. The City had a Redevelopment Agency with two project areas which was dissolved pursuant to state law on February 1, 2012. The City serves as the Successor Agency for the former Redevelopment Agency and elected to take over the housing functions of the Agency.

The City of Shafter’s operating budget in FY 2016-17 is approximately \$41.8 million for all funds combined and an additional \$22.8 million in capital projects budgets.

B. Fund Structure

The City of Shafter currently uses the following fund types in its financial reporting. The number and type of funds are subject to change based on the needs of the City. Any such change shall not result in change in the audit fee:

Number of Individual Funds by Type	
Governmental Funds:	
General Fund	1
Special Revenue Funds	11
Capital Project Funds	8
Total Governmental Funds	20
Business Type Funds:	
Enterprise Funds	7
Internal Service Funds	4
Total Business Type Funds	11
Fiduciary Funds:	
Private-purpose Trust Fund	5
Total Fiduciary Funds	5
Total Funds	36

C. Component Units

The City is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's *Codification Governmental Accounting and Financial Reporting Standards*, Section 2100. Using these criteria, component units are included in the City's financial statements.

The management of the City identified the following component unit (with fiscal year ending June 30) for inclusion in the City's financial statements:

Successor Agency to the Shafter Community Development Agency

This component unit is to be audited as part of the audit of the City's financial statements. The contact person and record location is the same as the primary unit.

D. Magnitude of Finance Operations

The Administrative Services Department is headed by James L. Zervis, Director of Administrative Services and consists of 7 employees. The principal functions performed are accounting, accounts payable, accounts receivable, utility billing, business license administration, payroll, cash management, investments, budgeting, financial reporting, risk management and transit services.

E. Computer Systems

The City's computerized systems are run on a Local Area Network (LAN). The accounting functions are computerized using Tyler Technology/EDEN Systems software on a Windows platform. The applications operating on this system are general ledger, accounts payable, accounts receivable, fixed assets, payroll, business licenses, project accounting and utility billing.

F. Availability of Prior Reports and Work Papers

Richard Teaman, of Teaman, Ramirez, & Smith, Inc., conducted the City's most recent audit. The work papers of the previous audits are the property of the previous auditor and can be reviewed by the successful Proposer. The following financial statements were prepared or audited by Teaman, Ramirez, & Smith, Inc., and are available for review on the City's website at www.shafter.com:

1. City of Shafter Comprehensive Annual Financial Report;
2. City of Shafter Transportation Development Act Funds.
3. Component Unit Financial Statements for the Shafter Joint Powers Financing Authority
4. Single Audit Report

IV. TIME REQUIREMENTS

A. Proposal Calendar

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

<u>Date</u>	<u>Activity</u>
September 20, 2016	Request for proposal issued
November 30, 2016	Due date for proposals (due by 5:00 p.m.)
December 1 st - 24 th , 2016	Oral Interviews (conducted at City's discretion)
January 3, 2017	Contract awarded by City Council

B. Date Audit May Commence

Audit planning, documentation of systems of internal control and compliance and transaction testing should be completed during interim audit stage in May or June of each year. The City closes its books in September and will be ready for audit field work to commence the last week of September of each year.

C. Date Reports Are Due

The auditor shall provide all drafts and recommendations for improvements to the Director of Administrative Services within a reasonable time period after the last day of field work. The auditor should be available for any meetings that may be necessary to discuss the draft audit reports. Once all issues of discussion are resolved, the completed CAFR, component unit financial statements, Single Audit report and other reports shall be delivered to the Director of Administrative Services. This process will be completed and the final products be delivered by November 15th of each year.

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

A. Finance Department Assistance

Finance Department staff will be available during the audit to assist the firm by providing information, documentation, and explanations.

B. Work Area, Telephone, and Office Equipment

The City will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to a telephone, internet access, a computer with access to the general ledger system, and photocopying machines.

C. Report Preparation

Report preparation, editing, printing, tabbing, and binding shall be the responsibility of the auditor.

1. *Comprehensive Annual Financial Report (20 copies & digital file in Adobe Acrobat format)*
2. *Single Audit Report (15 copies & digital file in Adobe Acrobat format)*
3. *Transportation Development Act Funds Audited Financial Statements (15 copies & digital file in Adobe Acrobat format)*
4. *Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Schedule. (15 copies & digital file in Adobe Acrobat format)*

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries concerning the Request for Proposals and the subject of the Request for Proposals must be made to:

James L. Zervis
Director of Administrative Services
336 Pacific Avenue
Shafter, CA 93263
(661) 746-5043
jzervis@shafter.com

CONTACT WITH PERSONNEL OF THE CITY OTHER THAN THE ABOVE REGARDING THIS REQUEST FOR PROPOSALS MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.

2. Submission of Proposal. Three (3) copies of the Proposal shall be received by the City of Shafter **by 5:00 p.m. on November 30, 2016** for a proposal to be considered. The Proposal should address the items listed in sections C and D below.

The Proposal should be addressed as follows:

**City of Shafter
James L. Zervis
Director of Administrative Services
336 Pacific Avenue
Shafter, CA 93263**

B. *Format for Technical Proposal*

1. Title Page showing the request for proposals subject; the firm's name; the name, address and telephone number of the contact person; and the date of the proposal.
2. Table of Contents identifying the materials submitted by section and page number. Cross-referencing to section and page number in the RFP would be helpful.
3. Signed Transmittal Letter briefly stating the Proposer's understanding of the work to be done; the commitment to perform the work within the time period; and the name(s) of the person(s) authorized to represent the Proposer, title, address, and telephone number.
4. Detailed Proposal following the order set forth in Section C below.

C. *Contents of Technical Proposal*

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firm seeking to undertake an independent audit of the City in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than the form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

The Technical Proposal should address all points outlined in the request for proposals (excluding any cost information which should only be included in the Sealed Dollar Cost Bid). The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of this request for proposals. While additional data may be presented, the following subjects must be included. They represent the criteria against which the proposal will be evaluated.

1. *License to Practice in California*

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

2. *Independence*

The firm should provide an affirmative statement that it is independent of the City of Shafter as defined by auditing standards generally accepted in the United States of America and the General Accounting Office's *Government Auditing Standards*.

3. Firm Qualifications and Experience

To qualify the firm must have extensive experience in audits of local governments as well as experience with preparation of Comprehensive Annual Financial Statements prepared in accordance with GAAP. The Proposer 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, and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis. Staff consistency is an important consideration.

The Proposer must provide a list of all current municipal clients.

The Proposer is also required to submit a copy of a report on its most recent external quality control review (peer review), with a statement whether that quality control review included a review of specific government engagements (required by current Government Audit Standards).

The Proposer 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 RFP for Professional Auditing Services addition, the RFP for Professional Auditing Services Proposer shall provide 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.

4. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists who would be assigned to this engagement. Include resumes, indicating whether each such person is registered or licensed to practice as a certified public account in California. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past (3) three years and membership in professional organizations relevant to the performance of this audit.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City. However, in either case, the City retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the Proposer provided that replacements have substantially the same or better qualifications or experience.

5. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum - 5) performed in the last three (3) years that are similar to the engagement described in this request for proposals. These 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. Also please indicate whether the audit was part of a Comprehensive Annual Financial Report prepared in conformance with GAAP requirements. Information should be provided regarding clients that the firm serves that have received the CSMFO and GFOA awards.

Please provide a list of not less than five client references for whom services similar to those outlined in the RFP are currently being provided. For each reference listed provide the name of the organization, dates for which the service(s) are being provided, type of service(s) being provided and the name, address and telephone number of the responsible person within the reference's organization. The City reserves the right to contact any or all of the listed references regarding the audit services performed by the Proposer.

6. Specific Audit Approach

The proposal should 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 proposals. In developing the work plan, reference should be made to such sources of information as City of Shafter' budget and related materials, organizational charts, manuals, programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation for 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 this engagement;
- e. Type and extent of analytical procedures to be used in this engagement;
- f. Approach to be taken to gain and document an understanding of the City's internal control structure;
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work; and
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance.

7. Identification Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City.

NO DOLLAR AMOUNTS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL.

D. Contents of Cost Proposal

1. Total All-Inclusive Maximum Price

The cost proposal should contain all detailed pricing information relative to performing the audit engagement as described in this request for proposals. 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 will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The cost proposal should be submitted in the format provided in Attachment A, "AUDIT WORK COST PROPOSAL FORM" and Attachment B, "ESTIMATE OF COST."

2. Manner of Payment

Progress payment 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 proposal. Interim billings shall cover a period of not less than a calendar month.

VII. EVALUATION PROCEDURES

A. Review of Proposals

City Staff, consisting at a minimum, of the following, will evaluate submitted proposals:

James Zervis, Director of Administrative Services
Sylvia Granillo, Accounting Manager

B. Evaluation Criteria

Proposals will be evaluated using three (3) sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria, which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in California.
- b. The firm has no conflict of interest with regard to any of the work performed by the firm for the City.

- c. The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.
- d. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.
- e. The firm's past experience and performance on comparable government engagements.
- f. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
- g. Adequacy of proposed staffing plan for various segments of the engagement.
- h. Thoroughness of approach to conducting the audit of the City and demonstration of the understanding of the objectives and scope of the audit.
- i. Commitment to timeliness in the conduct of the audit.
- j. Maximum fees to conduct the audit.

Attachment A

AUDIT WORK COST PROPOSAL FORM

Service	2016/17	2017/18	2018/19
City of Shafter Audit and Related Reports	\$	\$	\$
Single Audit and Related Reports	\$	\$	\$
Transportation Development Act Funds Audit and Related Reports	\$	\$	\$
Independent Accountants' Report on Agreement-Upon Procedures Applied to Appropriations Limit Schedule	\$	\$	\$
Total for Fiscal Year (not-to exceed)	\$	\$	\$

Attachment B

ESTIMATE OF COST

Name of Firm: _____

Address: _____

Contact Name: _____

Contact Phone #: _____

Fax #: _____

Contact Email: _____

1. Auditor's Standard Billing Rates

Auditors Standard Hourly Billing Rates			
POSITION	2016/17	2017/18	2018/19
Partner	\$	\$	\$
Manager	\$	\$	\$
Senior Accountant	\$	\$	\$
Staff Accountant	\$	\$	\$
Clerical	\$	\$	\$