

CITY OF HIGHLAND
REQUEST FOR PROPOSALS
For
PROFESSIONAL AUDITING SERVICES



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27215 Base Line
Highland, CA 92346

January 9, 2017

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CITY OF HIGHLAND
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I. INTRODUCTION

A. General Information

The City of Highland is requesting proposals from qualified certified public accountant firms to audit its financial statements for the five 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 (1994)* 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 Highland 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, four (4) copies of a proposal must be received by Betty Hughes, City Clerk at 27215 Base Line, Highland, CA 92346, by **4:30 P.M. on February 9, 2017**. The City reserves the right to reject any or all proposals submitted.

During the evaluation process, the City of Highland 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. If selected, firms submitting proposals will be required to make oral presentations to the Finance Subcommittee 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 Highland and the firm selected.

It is anticipated the selection of the firms to be interviewed by the Finance Subcommittee will be completed by **February 28, 2017**. The interviews are estimated to be on or around **March 14, 2017**. 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 **April 11, 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. All dates in this RFP are estimates and can be changed at the City's discretion.

B. Term of Engagement

It is the intent of the City to contract for the services presented herein for a term of five (5) 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 Highland desires General Purpose Financial Statements for the City of Highland and its blended component units (the Highland Housing Authority and the Highland Public Financing Authority) and the Successor Agency to the Highland Redevelopment Agency private-purpose trust fund, to be prepared by the independent auditor and be fully compliant for GASB 34 for the fiscal years ended June 30, 2017, June 30, 2018, June 30, 2019, June 30, 2020 and June 30, 2021, and all relevant pronouncements, as appropriate.

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

1. The audit firm will perform an audit of all funds of the City of Highland. 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 General Purpose Financial Statements will be prepared by the audit firm, as appropriate and with respect to significant changes in auditing standards.** The financial statements will be in full compliance with all pronouncements directed by GASB, including GASB 34. 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 auditors shall prepare GASB 34 compliant component unit financial statements for each year of the engagement.

The audit firm will conduct financial and compliance audit work related to the Successor Agency to the Highland Redevelopment Agency which is now included as a private-purpose trust fund. The Highland Housing Authority and the Highland Public Financing Authority are considered blended component units.

2. 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 schedules 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.
3. The audit firm shall perform agreed-upon auditing procedures pertaining to the City's GANN Limit (Appropriations Limit) and render a letter annually to the City regarding compliance.
4. 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, if appropriate. Management letters shall be addressed to the City Manager.

B. Auditing Standards to be Followed

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

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;
2. The standards applicable to financial audits contained in *Government Auditing Standards* (1994 Revision), 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*;
5. Any other provisions, as deemed applicable, and not identified by this RFP.

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 Highland of the need to extend the retention period. The auditor will be required to make working papers available to the City of Highland 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 Council, City Manager, City Attorney, and the Director of Administrative Services.

III. DESCRIPTION OF THE GOVERNMENT

A. Background Information

The City of Highland is located in San Bernardino County, and services an area of approximately 18 square miles with a population of approximately 53,655. The City's fiscal year begins on July 1 and ends on June 30.

The City of Highland was incorporated in 1987 under the Council/Manager form of government, and is considered a contract city. The five (5) Members of the City Council are elected by district. They serve staggered four-year terms, with the Mayor being selected annually from among the Council Members. The Council meets on the second and fourth Tuesday of each month. On January 10, 2012 the City Council elected to become the Successor Agency to the Highland Redevelopment Agency.

The city government is divided into four departments: Administrative Services, Community Development, Public Safety and Public Works. Fire & Paramedic Services and Police & Animal Control services are contracted through Cal Fire and the County of San Bernardino, respectively.

The City of Highland’s operating budget in FY 2016-17 is approximately \$29.2 million for all funds combined. The City has 34 full-time employees and 3 part-time employees.

B. Fund Structure

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

Number of Individual Funds by Entity		
Fund Type/Account Group	Approximate Number of Individual Funds	Number with Legally Adopted Annual Budgets
City:		
General Fund	1	1
Special Revenue Fund	21	20
Debt Service Fund	0	0
Capital Projects	3	3
Enterprise Funds	0	0
Internal Service Funds	2	2
Agency Funds	2	0
Successor Agency Private-Purpose Trust Fund	2	2

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 City previously issued a component unit financial statement for the Highland Redevelopment Agency. With the dissolution of the Agency, the City is no longer issuing component unit financial statements. The City is now acting as a fiduciary of the Successor Agency to the Highland Redevelopment Agency. The activities of the Successor Agency are now being included on the City’s fiduciary statements.

D. Magnitude of Finance Operations

The Administrative Services Department is headed by Chuck Dantuono, Director of Administrative Services and consists of 5 full time employees. The classifications and the number of employees assigned to each are as follows:

<u>Function</u>	<u># of Employees</u>
Director	1
Senior Accountant	1
Accounting Technician II	1
Accounting Assistant II	2

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 based system. The applications operating on this system are general ledger, accounts payable, purchase orders, payroll and HR. Business licenses, dog licenses and cashiering are run through other computerized systems.

F. Availability of Prior Reports and Work Papers

White Nelson Diehl Evans LLP, conducted the City’s most recent audit. The work papers of the previous audits are the property of the previous auditor and may be reviewed by the successful Proposer. The following financial statements were prepared or audited by White Nelson Diehl Evans, LLP.

1. City of Highland General Purpose Financial Statement;
2. 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>
January 9, 2017	Request for Proposal issued
February 9, 2017	Due date for proposals (due by 4:30 p.m.)
March 14, 2017	Oral Interviews (conducted by Subcommittee)
April 11, 2017	Contract awarded by City Council

B. Date Audit May Commence

Audit planning, including all necessary documentation of systems of internal control and compliance and transaction testing should be completed during the interim stage prior to June 30, 2017. In the first year of the engagement this date may be delayed or combined with the fieldwork. It is expected the City will close its books and be ready for the final audit by September 18, 2017. Fieldwork should be completed by October 5, 2017. Changes in the time requirements for commencement of audit up and including final audit reports must be discussed and agreed upon by the City and auditor.

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 at least one Finance Subcommittee meeting to discuss the draft audit reports. Once all issues of discussion are resolved, the completed general purpose financial statement, component unit financial statements, Single Audit report and other reports shall be delivered to the

Director of Administrative Services. It is anticipated that this process will be completed and the final products to be delivered by November 30, 2017.

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

A. *Administrative Services Department and Clerical Assistance*

The Administrative Services Department staff will be available during the audit to assist the firm by providing information, documentation, and explanations. Janel Olsen, Senior Accountant, will be responsible for acting as the liaison between the audit firm and the accounting personnel.

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, a computer with access to the general ledger system, and photocopying and FAX machines.

C. *Report Preparation*

Report preparation, editing, printing, binding shall be the responsibility of the auditor. The number of reports to be provided by the auditor is as follows:

1. Comprehensive Annual Financial Report (1 electronic)
2. Single Audit Report (10 paper, 1 electronic)
3. Management Letter (10 paper, 1 electronic)
4. GANN Limit Review Report (1 electronic)

VI. PROPOSAL REQUIREMENTS

A. *General Requirements*

1. Inquiries concerning the RFP and the subject of the RFP shall be made to:

Chuck Dantuono
Director of Administrative Services
27215 Base Line
Highland, CA 92346
(909) 864-6861 x224
cdantuono@cityofhighland.org

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. Four (4) copies of the Proposal shall be received in the office of the City Clerk of the City of Highland **by 4:30 p.m. on February 9, 2017** 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 Highland
Betty Hughes
City Clerk
27215 Base Line
Highland, CA 92346**

B. Format for Technical Proposal

1. Title Page showing the RFP 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 along with 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 (RFP). 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 RFP requirements.

The Technical Proposal should address all points outlined in the RFP (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 RFP. 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 Highland 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 general purpose financial statements in GASB 34 format. 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 should provide the range of activities performed by the local office, e.g., audit, accounting, tax service and/or management consulting services.

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 Government Audit Standards (1994)).

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 addition, the 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 accountant 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 general purpose financial report prepared in conformance with the GASB 34 requirements.

Please provide a list of not less than five client references for which 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.

Please provide a list of not less than three client references for which services were provide in the past two years but are no longer provided. For each reference listed, provide the name of the organization, dates for which services were provided, type of services 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.

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 Highland's 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;
- d. Extent of use of EDP software 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 of 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.

THE COST PROPOSAL SHALL BE SUBMITTED WITH THE TECHNICAL PROPOSAL, BUT IN A SEPARATE SEALED ENVELOPE MARKED "COST PROPOSAL."

D. *Contents of Cost Proposal*

1. *Total All-Inclusive Maximum Price*

The cost proposal should contain all pricing information relative to performing the audit engagement as described in this RFP. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses. The fees for the City audits shall be listed separately. The fees for the Single Audit shall also be listed separately, as well as any additional costs deemed necessary by the auditor. The proposal should list price for one, two, three, four and five-year agreements.

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." The cost proposal shall be submitted with the technical proposal, but in a separate sealed envelope marked "Cost Proposal."

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:

Joe Hughes, City Manager
Chuck Dantuono, Director of Administrative Services

The Finance Subcommittee consists of the following two Council Members:

Larry McCallon, Mayor Pro-Tem
John Timmer, Council Member

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 fee. 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 RFP 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.

2. Technical Qualifications:

a. Expertise and Experience

- i. The firm's past experience and performance on comparable government engagements.
- ii. 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.

b. Audit Approach

- i. Adequacy of proposed staffing plan for various segments of the engagement.
- ii. Thoroughness of approach to conducting the audit of the City and demonstration of the understanding of the objectives and scope of the audit.
- iii. Commitment to timeliness in the conduct of the audit.

3. Cost:

- a. Maximum fees to conduct the audit.

Attachment A

AUDIT WORK COST PROPOSAL FORM

Service	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
City Audit and Related Reports	\$	\$	\$	\$	\$
GANN Limit Review Report	\$	\$	\$	\$	\$
Single Audit and Related Reports	\$	\$	\$	\$	\$
Additional costs (specify) _____	\$	\$	\$	\$	\$
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	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Partner	\$	\$	\$	\$	\$
Manager	\$	\$	\$	\$	\$
Senior Accountant	\$	\$	\$	\$	\$
Staff Accountant	\$	\$	\$	\$	\$
Clerical	\$	\$	\$	\$	\$