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"A great place to live, work, and play"

City of Santa Fe Springs

NOTICE REQUESTING PROPOSALS

FOR

AUDITING SERVICES

**Proposal issue date:
Thursday, May 14, 2020**

**Proposal submittal due date & time:
5:00 pm, Thursday, June 11, 2020**

REQUEST FOR PROPOSALS PROFESSIONAL AUDITING SERVICES

I. INTRODUCTION

A. General Information

The City of Santa Fe Springs (City) is soliciting proposals from qualified and experienced certified public accounting firms (Auditor) to perform an audit and issue opinions on the City's financial statements. Interested firms, whether previously contracted or not, are invited to submit proposals in accordance with the conditions outlines in this Request for Proposal (RFP). The City intends to enter into an agreement for a three (3) year contract term beginning with the fiscal year ending June 30, 2020 through June 30, 2022, with an option to renew the contract for an additional two (2) fiscal years.

Electronic submittal of the proposal must be received by **Janet Martinez, City Clerk, at CityClerk@santafesprings.org by 5:00 p.m. on June 11, 2020.** Please see Exhibit C for a summary of key dates for this RFP. The City reserves the right to reject any or all proposals submitted.

During the evaluation process, the City reserves the right, where it may serve the City's best interest, to request additional information or clarification from the interested firms, or to allow corrections of errors or omissions. The City 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 Auditor of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the firm selected. There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. The City reserves the right without prejudice to reject any or all proposals.

It is anticipated that the recommended firm will be selected by the City Council at their meeting on July 9, 2020.

B. Scope of Services

1. **Comprehensive Annual Financial Report (CAFR)** - Financial audit and preparation of the City's CAFR will cover all funds of the City including governmental, proprietary and fiduciary funds. The City desires the Auditor to express an opinion on the fair presentation of its basic financial statements.
2. **Single Audit Act Report** - Single audit, preparation, and submission of report to the Federal Clearinghouse. This report must satisfy all requirements of the federal Single Audit Act Amendments of 1996 in accordance with the Office of Management and Budget (OMB) Circular A-133.

3. **Agreed-upon Procedures Review of the Gann Appropriations Limit** - A report reviewing the City's spending limitation computation as required by Section 1.5 of Article XIII B of the California Constitution. The review should be performed in conformance with the provisions of the "League of California Cities Uniform Guidelines".
4. **California State Controller's Cities Financial Transactions (SCO) Report** - Preparation and submission of California State Controller's Cities Financial Transaction Report. Currently, City Staff prepares this report but optionally may elect for the audit firm to complete the report.
5. Availability on a day-to-day basis for consultation and ongoing auditing needs. At a minimum, quarterly meetings will be expected with the Audit Partner and the Director of Finance and Administrative Services to review interim financial statements and major accounting-related issues.

C. **Auditing Standards**

Audits shall be conducted in accordance with generally accepted auditing standards; *Government Auditing Standards*; the Single Audit Act Amendments of 1996 (the Single Audit Act); the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*; OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*; the State Controllers' Minimum Audit Requirements for California Special Districts; the California Department of Education *CDE Audit Guide*; and applicable laws and regulations.

The financial statements are to be prepared in accordance with the latest Governmental Accounting Standard Board (GASB) pronouncements, as required. In addition, the City participates in the Government Finance Officers Association (GFOA) award program for Excellence in Financial Reporting and has obtained the award consistently over the last several years.

II. **GENERAL TERMS AND CONDITIONS**

A. **Proposal Requirements** CityClerk@santafesprings.org

1. **Requirement to Meet All Provisions.** Each individual or firm submitting a proposal shall meet all of the terms and conditions of the RFP specifications package. By virtue of its proposal submittal, the proposer acknowledges agreement with and acceptance of all provisions of the RFP specifications.
2. **Proposal Submittal.** Each proposal must be submitted in the format described in the RFP specifications and accompanied by any other required submittals or supplemental materials. **Proposals must be submitted by email (in PDF file format) to CityClerk@santafesprings.org and received no later than 5:00 p.m.**

on June 11, 2020. It is the Auditor's responsibility to confirm receipt. Proposals received after the above date and time will not be considered. Please see Exhibit C for a summary of key dates for this RFP.

- 3. Proposal Quotes.** The prices quoted by the Auditor must be presented using a form consistent with Exhibit A.
- 4. Proposal Withdrawal.** An Auditor may withdraw its proposal prior to the deadline submission by submitting a written request to the Director of Finance & Administrative Services for its withdrawal.
- 5. Submittal of One Proposal Only.** No individual or business entity of any kind shall be allowed to make or file, or to be interested in more than one proposal, except an alternative proposal when specifically requested; however, an individual or business entity that has submitted a sub-proposal to a proposer submitting a proposal, or who has quoted prices on materials to such proposer, is not thereby disqualified from submitting a sub-proposal or from quoting prices to other proposers submitting proposals.
- 6. Proposal Retention and Award.** The City reserves the right to retain all proposals for a period of 90 days for examination and comparison. The City also reserves the right to waive non-substantial irregularities in any proposal, to reject any or all proposals, to reject or delete one part of a proposal and accept the other, except to the extent that proposals are qualified by specific limitations.
- 7. Proposal Evaluation and Selection.** Proposals will be evaluated based on the following criteria:
 - a. Thoroughness of approach to conducting the audit of the City and demonstration of understanding of the objectives and scope of the audit;
 - b. Quality, clarity and responsiveness of the proposal;
 - c. Demonstrated competence and professional qualifications necessary for successfully performing the work required by the City;
 - d. Recent experience in successfully performing similar services;
 - e. References;
 - f. The quality of the firm's professional personnel assigned to this engagement and the quality of the firm's management support personnel available for technical consultation;
 - g. Commitment to timeliness in the conduct of the audit;
 - h. Proposed fee structure.

As reflected above, contract award will not be based solely on price, but on a combination of factors. After evaluating the proposals and discussing them

further with the finalists or the tentatively selected contractor, the City reserves the right to further negotiate the proposed work and/or method and amount of compensation.

8. **Questions and Communications.** All questions, concerns or comments regarding this RFP must be sent electronically to **Travis Hickey, Director of Finance & Administrative Services, (TravisHickey@santafesprings.org) by Thursday, May 21, 2020.** Answers to such inquiries, as well as any revisions to the RFP, will be emailed out to all firms. Any addenda shall become a part of this RFP.
9. **Competency and Responsibility of Auditor.** The City reserves full discretion to determine the competence and responsibility, professionally and/or financially, of Auditors. Auditors will provide, in a timely manner, all information that the City deems necessary to make such a decision.
10. **Contract Requirement.** The Auditor to whom the award is made shall execute a written contract with the City within thirty (30) calendar days after notice of the award has been sent by mail to the address given in its proposal. The contract shall be made in the form adopted by the City and shall incorporate the proposal and these specifications.
11. **Insurance Requirements.** The Auditor shall maintain professional liability and workers' compensation insurance coverage. The Auditor shall provide proof of insurance in the form, coverages and amounts specified in the contract within thirty (30) calendar days after notice of contract award as a precondition to the contract execution.
12. **Business License.** The Auditor must obtain a valid City of Santa Fe Springs business license. Additional information regarding the City's Business License program may be obtained by calling (562) 868-0511.

B. Contract Performance

1. **Ability to perform.** The Auditor affirms that it possesses, or has arranged through subcontracts, all capital and other equipment, labor, materials, and licenses necessary to carry out and complete the work hereunder in compliance with any and all federal, state, county, city and special district laws, ordinances, and regulations.
2. **Safety Provisions.** The Auditor shall conform to the rules and regulations pertaining to safety established by OSHA and the California Division of Industrial Safety.
3. **Auditor non-Discrimination.** In the performance of this work, the Auditor agrees that it will not engage in, nor permit such subcontractors as it may employ, to engage in discrimination in employment of persons because of age,

race, color, sex, national origin or ancestry, sexual orientation, or religion of such persons.

4. **Work Delays.** Should the Auditor be obstructed or delayed in the work required to be done hereunder by changes in the work or by any default, act, or omission of the City, or by strikes, fire, earthquake, or any of Act of God, or by the inability to obtain materials, equipment, or labor due to federal government restrictions arising out of defense or war programs, then the time of completion may, at the City's sole option, be extended for such periods as may be agreed upon by the City and the Auditor.
5. **Payment Terms.** Interim progress payments may be made monthly on the basis of progress completed for each audit service. Payment to the Auditor will be made within thirty days of receipt of auditor's invoice. Final payment will be made upon acceptance of each audit service as complete by the City.
6. **Working Papers.** 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 the need to extend the retention period. The Auditor will be required to make working papers available, upon request by the City. In addition, the Auditor shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.
7. **Contract Term.** The contract will have a three-year term with an option to renew for two additional years. At the end of each year, the City reserves the right to terminate services for the subsequent year upon 30 days notification.
8. **Field Work.** The City anticipates and expects the major field work for the CAFR and Single Audit to begin on or near the first week of October of each year. Preliminary field work may occur during a mutually acceptable time frame, normally May through July of each year.
9. **Draft Reports.** The Auditor shall provide draft copies of the CAFR and Single Audit no later than the **first week of November** of each year.
10. **Final Reports.** The Auditor shall provide final copies of the CAFR, Single Audit, and management letter no later than **the last week of November** of each year.
11. **Attendance at Meetings and Hearings.** As part of the work scope, and included in the contract price, one of the firms' representative will need to attend up to three (3) public meetings every fiscal year to present and discuss its findings and recommendations, as necessary. The Auditor shall attend as many "working" meetings with staff as necessary in performing work scope tasks.

III. PROPOSAL REQUIREMENTS

General Requirements

The purpose of the proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City in conformity with the requirements of this RFP. As such, the substance of the proposals will carry more weight than their form or manner of presentation. The 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 RFPs requirements.

The proposal should address all the points outlined in the RFP. The proposal should be prepared simply, providing a straightforward and concise description of the Auditor's capabilities to satisfy the requirements of the RFP. While additional data may be presented, the following items must be included:

A. Cover Letter

A letter of introduction, a maximum of two (2) printed pages in length to include: the name and address of the respondent; name, address, and telephone number of the person or persons to contact; and, the name of the person authorized to represent the firm. This letter must be signed by an officer of the responding firm authorized to bind the firm to all commitments made in the proposal.

B. Table of Contents

List all materials included in the proposal identified by sequential page number and section reference number.

C. Independence

The Auditor should provide an affirmative statement that it is independent of the City, as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards*.

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

The Auditor should also list and describe their professional relationships involving the City or any of its agencies and 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 Auditor shall provide the City with written notice of any such professional relationships entered into during the period of this agreement.

D. License to Practice in California

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

E. Firm Qualifications and Experience

The Auditor should state the size of the firm, the size of the firms' 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.

If the Auditor 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 Auditor 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 governmental engagements.

The Auditor 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 and status of any disciplinary action taken or pending against the Auditor 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.

F. 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 the engagement. Indicate 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 three (3) 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.

Include affirmative statement that engagement partners, managers, other supervisory staff and specialists may be changed if the personnel leave the firm, are promoted or are assigned to another office. The personnel may also be changed for other reasons only 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.

G. Similar Engagements with other Government Entities

For the Auditor's office that will be assigned responsibility for the audit, list at least 5 of the most significant engagements performed in the last five years that are similar to the engagement described in this RFP. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. A list of all governmental audit clients for the principal office should also be supplied in this section.

H. Specific Audit Approach

The Auditor's proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in this RFP.

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

1. Proposed segmentation of the engagement;
2. Sample size and the extent to which statistical sampling is to be used in the engagement;
3. Type and extent of analytical procedures to be used in the engagement;
4. Approach to be taken to gain and document an understanding of the City's internal control structure;
5. Approach to be taken in determining laws and regulations that will be subject to audit test;
6. Approach to be taken in drawing audit samples for purposes of tests of compliance;

I. Fee Structure

The proposal should contain all pricing information relative to performing the audit engagement as described in this RFP. The cost bid should be submitted in a format consistent with Exhibit A. The total maximum price needs to contain all direct and indirect costs including all out-of-pocket expenses and presented as a not-to-exceed fee for each fiscal year. Costs within each fiscal year should also specify the amount for each individual assignment. For example, costs for the Single Audit Act Report should be separately identified.

The City will not be responsible for expenses incurred in preparing and submitting the proposal. Such costs should not be included in the proposal. The cost bid must include the following information:

1. Certification that the person signing the proposal is entitled to represent the Auditor, empowered to submit the bid, and authorized to sign a contract with the City.
2. A total maximum price for the five-year engagement.

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

The proposal should also include a schedule of professional fees and expenses, presented in a format consistent with Exhibit B, which aligns with the total maximum price. A separate form should be prepared for each of the fiscal years.

K. Out-of-Pocket Expenses in the Total Maximum Price and Reimbursement Rates

All estimated out-of-pocket expenses to be reimbursed should be presented in the format provided in Exhibit B. All expense reimbursements will be charged against the total maximum price submitted by the Auditor.

L. City Staff Hours

City staff currently produces schedules and other backup for most balance sheet accounts at year end (accounts receivable listing, accounts payable listing, compensated absences listing, bank reconciliations, schedule of fixed assets etc.). The Auditor is expected to produce any other necessary schedules. City staff will help obtain any necessary information.

An estimate of the number of "additional" City staff hours required to assist the auditors and the tasks to be performed by City staff should be discussed. Do not include time preparing correspondence, discussions with Auditors, or preparing balance sheet support schedules (in the City's format). Do include any time pulling invoices, copying or otherwise assisting the auditors. Sample "provided by client" (PBC) schedules should also be provided.

M. Rates for Additional Professional Services

If it should become necessary for the City 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 the City and the Auditor. Any such additional work agreed to between the City and the Auditor shall be performed at the same rates set forth in the schedule of fees and expenses included in the cost bid.

IV. DESCRIPTION OF THE GOVERNMENT

A. Principal Contact

The Auditor’s principal contact with the City is **Travis Hickey, Director of Finance & Administrative Services**, who will coordinate the assistance to be provided by the City to the Auditor.

B. Background Information

The City, incorporated in 1957 under the general laws of the State of California is a commercial center and residential city located within the southeast area of Los Angeles County. The City provides a full range of municipal services including public safety (police services contracted with the City of Whittier), street construction and maintenance, water services, community and recreational programs, public infrastructure improvements, planning & zoning, and general administrative and support services. The City occupies a land area of 8.9 square miles and serves a population of 18,260.

C. Fund Structure

The City uses the following fund types in its external financial reporting:

<u>Fund Type/Account Group</u>	<u>Number of Individual Funds</u>
General Fund	1
Special Revenue Funds	16
Capital Project Funds	3
Enterprise Funds	1
Fiduciary Funds	
Private Purpose Trust Fund	1
Agency Funds	4

D. Budgetary Basis of Accounting

The City prepares its budgets on a basis consistent with generally accepted accounting principles. The City uses an “activity based” budget with revenues associated with a particular activity budgeted within that activity as “applied revenues” in order to better analyze the cost of individual activities.

E. Pension Plans

The City participates in the State of California Public Employees’ Retirement System (CalPERS), an agent multiple-employer retirement system. The City also participates

in a defined contribution plan for employees that are not covered by CalPERS, such as hourly employees.

F. Component Units

The City is defined, for financial reporting purposes, in conformity with the Government Accounting Standards Board's Codification of 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 Successor Agency, Public Financing Authority, and Water Utility Authority as component units that are included in the City's financial statements. These component units are to be audited as part of the audit of the City's financial statements. Separate financial statements are not issued for the component units.

EXHIBITS

EXHIBIT B

Schedule of Professional Fees and Expenses

Scope of Service: _____ **Fiscal Year:** _____

	Rate	Hours	Cost (rate x hours)
Partners	\$		\$
Managers			
Supervisory Staff			
Staff			
Other (Specify)			
Subtotal Staff	\$		\$

Billable Expenses	\$		\$
Meals & Lodging			
Transportation			
Other (Specify)			
Subtotal Billable Expenses			

Total Maximum Cost	\$		\$
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Notes:

- The quoted hourly rate should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total maximum price.
- A separate Exhibit B should be completed for each scope of service shown on Exhibit A and each fiscal year being proposed. Multiple schedules can be shown on an individual page.

EXHIBIT C**Audit Services Planning Calendar**

Issuance of Request for Proposals	May 14, 2020
Deadline for Questions	May 21, 2020
City Response to Questions	May 28, 2020
Due date for Proposals	June 11, 2020
Selection Interviews	June 22 nd -29 th , 2020
City Council Award of Contract	July 9, 2020
Interim Audit	July– August 2020

CAFR and Single Audit

Year End Field Work Begins	First week of October 2020
Draft Financials Submitted to City	November 6, 2020
Final reports submitted to City	November 30, 2020