





# City of Rosenberg, Texas Request for Proposal (RFP) Professional Audit Services

RFP No. 2017-06

Issued by: Finance Department

Proposal Due Date: May 10, 2017 at 10:00 A.M.

**City of Rosenberg, Texas  
Request for Proposal  
Professional Audit Services**

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## 1. INTRODUCTION

**1.1** The City of Rosenberg, Texas (the City) is soliciting proposals from qualified firms of certified public accountants to audit its financial statements. The term of the audit contract will be for three (3) years, with an optional renewal for one (1) two-year term, not to exceed a maximum contract period of five (5) years. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1996, as amended, and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*.

**1.2** There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals to respond to this request.

**1.3** During the evaluation process, the Finance/Audit Committee and the City reserve the right, where it may serve the City's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the City or the Finance/Audit Committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

**1.4** 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 firm 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.

**1.5** It is anticipated that selection of a firm will be completed on June 6, 2017.

**1.6** **Term of engagement.** A three year contract, with an optional one-time two-year extension, is contemplated, subject to the annual review and recommendation of the Finance/Audit Committee, the satisfactory negotiation of terms (including a price acceptable to both the City and the selected firm), and concurrence of the City Council and the annual availability of appropriation. The total term of the engagement will not exceed five (5) years.

**1.7** **Subcontracting.** No subcontracting will be permitted without the express prior written consent of the City.

## 2. CALENDAR OF EVENTS

The following is a proposed calendar of events for the auditor selection. Dates are subject to change.

<u>Date</u>	<u>Description of Events</u>
April 7, 2017	Issue Request for Proposal
April 9, and April 16, 2017	Publish Notice for RFP in local newspaper
April 21, 2017	Due Date for clarification of requirements
May 10, 2017	Receive proposals by 10:00 a.m.
May 22, 2017	Conduct interviews with the City Finance/Audit committee
June 6, 2017	Final recommendation to City Council

## 3. CRITERIA FOR EVALUATION

**3.1** The City Finance/Audit Committee will review the submitted proposals. The recommendation will be based on the proposal determined to be most advantageous on behalf of the City and the taxpayers.

**3.2** The City Finance/Audit Committee may interview the top firms chosen. The City Council may also request to interview the top firms. The Finance/Audit Committee is comprised of three members of the City Council, the City Manager, Finance Director, and Finance Manager.

**3.3** While the City desires to achieve a cost effective audit, the emphasis is on quality, not low fees. However, the estimated fees and proposed hourly rates will be the basis upon which a final contract is negotiated.

**3.4** The following additional evaluation criteria will be considered in the evaluation process:

- **3.4.1** The audit firm is independent and licensed to practice in the State of Texas;
- **3.4.2** The audit firm's professional personnel have received adequate continuing professional education within the preceding two years; and
- **3.4.3** The firm has no conflict of interest with regard to any other work performed by the firm for the City.

## 4. SCOPE OF AUDIT SERVICES REQUIRED

**4.1** The City desires the auditor to express an opinion on the fair presentation of the City's general purpose financial statements in conformity with generally accepted accounting principles.

**4.2** The City also desires the auditor to express an opinion on the fair presentation of its combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the statistical section of the report.

**4.3** The auditor is responsible for the preparation of a Comprehensive Annual Financial Report (CAFR).

**4.4** To meet the requirements of this RFP, the audit should be performed in accordance with Generally Accepted Auditing Standards (GAAS) as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's *Government Auditing Standards*, the provisions of the Single Audit Act of 1996, as amended, and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Additionally, the single audit work will be conducted in accordance with generally accepted governmental auditing standards to meet all federal grant audit requirements.

**4.5** The auditors should submit a list of requested client-prepared schedules to the City's Finance Director prior to the start of fieldwork. Because the accounting division must carry on its normal operations during the audit, time constraints should be taken into account.

**4.6** The financial statements of the Rosenberg Development Corporation are included as component units of the City. The Rosenberg Development Corporation is included within the scope of the City's annual audit.

**4.7 Comprehensive Annual Financial Report (CAFR).** The City will send its CAFR to the Government Finance Officers Association of the United States and Canada (GFOA) for review in its Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that

the auditor may be required to provide special assistance to meet the requirements of that program.

- **4.7.1** The City has received the Certificate of Achievement for Excellence in Financial Reporting for *twenty-nine consecutive years*, and it is anticipated that the City will again receive the certificate for the FY2016 CAFR. The City therefore searches for a firm that actively participates in technically assisting clients that have previously been awarded the certificate.
- **4.7.2** The auditor agrees to provide print-ready financial statements and audit opinion to the City on or before February 28.
- **4.7.3** The auditor assumes full responsibility for printing and binding the CAFR. The auditor agrees to provide the City with a print-ready version of the CAFR in .pdf format.
- **4.7.4** The introductory and statistical sections of the CAFR will be prepared by the auditors, with assistance from City staff.
- **4.7.5** The auditor will compile and prepare all financial statements and schedules in the financial section of the CAFR.
- **4.7.6** The notes to the financial statements will be a joint effort of the City and the auditors, and will be prepared by the auditor.
- **4.7.7** The financial section of the CAFR will be prepared by the auditor.
- **4.7.8** The City reserves the right to edit the auditor's CAFR and make recommendations and/or modifications to the CAFR, in accordance with all applicable governmental reporting requirements.
- **4.7.9** Certificate of Achievement. The auditors should have the City's CAFR completed at the earliest possible date. The auditor may also prepare written responses as required by the GFOA Certificate of Achievement for Excellence in Financial Reporting, resulting from the prior year CAFR review.
- **4.7.10** The schedule of federal financial assistance and related auditor's report, if required, as well as reports on internal control structure and compliance are to be issued as part of the CAFR.

**4.8 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 the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the Finance Director, and/or the City Manager of the City.

## 5. DESCRIPTION OF THE CITY

**5.1 Inquiries.** The City's day-to-day working relationship with the independent auditors will be coordinated by Luis Garza, Finance Manager. Inquiries regarding the RFP may be addressed by phone at (832) 595-3350, by facsimile at (832) 595-3333, or by email at [luis.garza@rosenbergtx.gov](mailto:luis.garza@rosenbergtx.gov) or Joyce Vasut, Assistant City Manager, [joyce.vasut@rosenbergtx.gov](mailto:joyce.vasut@rosenbergtx.gov). Inquiries should be conducted during normal business hours, Monday through Friday. Inquiries to any person other than the persons so named in this RFP may result in elimination of the proposal from any further consideration.

**5.2** The City's 2017 population estimate is 37,476. The City's fiscal year begins on October 1 and ends of September 30 of the following year.

**5.3** More detailed information about the City and its finances can be found in prior CAFRs and budget presentations. These are available to the proposers upon request or on the City's website at [www.rosenbergtx.gov](http://www.rosenbergtx.gov).

**5.4 Fund Structure.** As of October 1, 2016, the City's fund structure is as follows:

Fund Type/Account Group	Number of Individual Funds	Number with Legally Adopted Annual Budgets
General fund	<u>1</u>	<u>1</u>
Special revenue funds (a)	<u>16</u>	<u>16</u>
Debt service funds	<u>1</u>	<u>1</u>
Capital projects funds	<u>11</u>	<u>0</u>
Enterprise funds	<u>2</u>	<u>2</u>
Internal service funds	<u>3</u>	<u>3</u>
Agency funds	<u>0</u>	<u>0</u>
Pension trust funds	<u>0</u>	<u>0</u>
General fixed assets account group	<u>1</u>	<u>N/A</u>
General long-term debt account group	<u>1</u>	<u>N/A</u>

(a) - Includes Component Unit - Rosenberg Development Corporation (requires separate report)

**5.5** The City prepares its budgets on the modified accrual basis of accounting for all funds. Depreciation is not budgeted in enterprise and internal service funds, and capital outlay is budgeted as an expense in enterprise and internal service funds.

**5.6** During the fiscal year(s) to be audited, the City may receive the following grants and/or financial assistance: Community Development Block Grant funds from Fort Bend County, Federal Criminal Justice Division grants, Federal Emergency Management Agency (FEMA), and the State of Texas.

**5.7 Pension Plans.** The City participates in the Texas Municipal Retirement System and IRS Section 457 deferred compensation plans offered by the International City Manager’s Association (ICMA) and Nationwide Retirement Solutions.

**5.8 Component units.** The City reporting entity currently includes the Rosenberg Development Corporation (RDC) as a component unit in its CAFR. The primary reason for inclusion of this component unit is the City's ability to designate management of this organization. The Members of the Rosenberg Development Corporation are comprised of three City Council members and four prominent Rosenberg citizens appointed by the City Council. Since the composition of this board is significantly influenced by the City, this organization is included as component units of the City. The RDC requires a separate annual financial report.

**5.9 Availability of Prior Audit Reports and Working Papers.** Interested proposers who wish to review prior years' audit reports and management letters should contact the person so named in this RFP. The City will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this RFP.

**5.10 Computer Systems.** The City currently uses Springbrook Software V7.14. The City is in the process of converting to Tyler Technologies Incode Version 10 as the City’s new ERP. The City may be using both systems at year end during final conversion.

## 6. SUPPLEMENTARY INFORMATION

**6.1** The financial section of the CAFR will include supplementary data to which the opinion must extend with respect to the manner in which the City has carried out the requirements of its bond ordinances. This will include a schedule showing the revenue bond debt service coverage. Any of the information upon which the auditor expresses an opinion may be used by the City as a part of an Official Statement or as a stand-alone document in selling any City bonds or debt.

**6.2** The opinion will also extend to an aggregating schedule of balance sheet accounts and an aggregating schedule of revenues, expenses, and retained earnings accounts for all Water and Wastewater Funds. The schedules will follow the combining financial statements and will provide details as to the operating accounts, debt service accounts, and capital project accounts which aggregate to the enterprise fund totals. These schedules are to be prepared by the auditors.

**6.3 Implementing New Accounting Standards.** The auditor's assistance and consultation will be required in implementing new GASB and FASB statements at the earliest possible date, even if prior to the required effective date.

**6.4 Management Letter.**

- **6.4.1** The auditor will communicate in a letter to management any reportable conditions found during the audit. A reportable condition is defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the City'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 should be identified as such in the report.
- **6.4.2** The management letter will be presented on or before February 28 to the City's Finance/Audit Committee and City Council. However, all significant management recommendations should be discussed with the Finance Director as they are discovered, so that the City can ensure immediate correction of any problems. An interim management letter may be requested depending on the nature of findings.

**6.5 Single Audit.** The single audit will cover all federal and state grants and/or funding. Final products will include:

- **6.5.1** Supplemental schedule of federal and state financial assistance;
- **6.5.2** Report to internal control systems and on administration of federal and state financial assistance; and
- **6.5.3** Report on compliance with laws and regulations.

**6.6 Working papers and Time Budgets.** The City may require copies of all major working papers. The audit working papers will be made available to the City, to subsequent auditors, and to the City's cognizant federal and state audit agencies at no charge.

**6.7** The audit time budget will be reviewed with the Finance Director prior to commencement of field work. An accounting of hours devoted to the job compared to budget will be submitted to the Finance Director on or before February 28, or before final payment is made by the City.

**6.8 Form 1295** – The Texas Government Code, Sections 2252.908 requires a business entity to submit a disclosure of interest parties to the governmental entity at the time the business entity submits the signed contract to the governmental entity following the guidelines prescribed by the Texas Ethics Commission at [www.ethics.state.tx.us](http://www.ethics.state.tx.us). The law applies to contracts that require an action or vote by the governing body of the governmental entity before the contract is signed. The completed Form 1295 must be submitted electronically by the business entity to the State of Texas. The Form 1295 will only need to be completed by the awarded vendor of the contract. The City will officially acknowledge the Form 1295 submitted by the awarded vendor, causing it to be publicly posted on the Texas Ethics Commission website.

**6.9 Insurance Requirements – See Appendix II**

## **7. AUDIT QUALIFICATIONS & QUESTIONS**

**7.1** The City realizes that the audit firm may have local government audit and consulting expertise nationally. While this is important, the City is most interested in local government expertise available in the "local office." The local office is defined as the office from which the audit engagement will be managed and primarily staffed.

**7.2** The following items should be answered and/or discussed in the RFP:

- **7.2.1** A brief statement as to why the proposing firm is qualified to provide auditing services to the City of Rosenberg. Proposer's response may include the firm's strengths, the local office's strengths and the firm's audit philosophy.
- **7.2.2** Detail the firm's overall qualifications and abilities to meet the specific requirements of this proposal including the size of the firm, the number of offices, and the number of partners and staff in the local office.
- **7.2.3** Identify which local office would be assigned to this engagement and list the qualifications and background of the personnel who will be directly involved with this audit. Include the names of the partners, managers, and staff that will be assigned to the City engagement. Describe the experience of personnel and include resumes as an appendix.
- **7.2.4** Provide a list of local government clients served by the local office in the past five years and give a contact name, telephone and email address for each. Please designate which are current clients.
- **7.2.5** Describe any disciplinary action imposed on the local office by the AICPA, state board, state society, or SEC during the past five years.
- **7.2.6** Describe the results of your firm's and local office's most recent peer review and its status under the AICPA peer review program.
- **7.2.7** Disclose any relationships that may exist between the City and the management and members of the firm which might impair the firm's independence.
- **7.2.8** Describe the firm's policy in rotating partners and managers and discuss the audit staff turnover that has occurred in the local office due to resignations or terminations in the past 24 months. Disclose the firm's policies regarding staff education and development.
- **7.2.9** Outline the audit plans for the audit work to be performed. Describe what your firm's philosophy will be with respect to the audit of the City.



**8.8** No replacements or substitutions of the above positions shall be permitted without the City's knowledge and consent.

**8.9** Any additional data may be included in the proposal at the proposer's discretion. Please include such material as an appendix.

**8.10 Appointment.** The final appointment of an audit firm will be made by the Rosenberg City Council.

**8.11 Specific audit approach.** The proposal should set forth a work plan, including explanation of the audit methodology to be followed, to perform the services as specified in this RFP. In developing the work plan, reference should be made to such sources of information as the City's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems. In addition, proposers are required to provide the following information on their audit approach:

- **8.11.1** Proposed segmentation of the engagement;
- **8.11.2** Level of staff and number of hours to be assigned to each proposed segment of the engagement;
- **8.11.3** Sample sizes and the extent to which statistical sampling is to be used in the engagement;
- **8.11.4** Type and extent of analytical procedures to be used in the engagement;
- **8.11.5** Approach to be taken to gain and document an understanding of the City's internal control structure;
- **8.11.6** Approach to be taken in determining laws and regulations that will be subject to audit test work; and
- **8.11.7** Approach to be taken in drawing audit samples for purposes of tests of compliance.

**8.12 Sealed dollar cost bid.** The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this RFP. The total all-inclusive (not to exceed) maximum price to be bid is to contain all direct and indirect costs, including all out-of-pocket expenses.

- **8.12.1** The sealed dollar cost bid should include:
  - a. Name of Firm
  - b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the fee estimate and authorized to sign a contract with the City
  - c. A total all-inclusive maximum price for each of the fiscal years ending September 30, 2017, 2018, and 2019 for a Single Audit.

- d. A total all-inclusive maximum price for each of the fiscal years ending September 30, 2017, 2018, and 2019 for the Rosenberg Development Corporation annual financial report.
- e. A total all-inclusive maximum price for the preparation of the City CAFR (including notes to the financial statements) and identify the fee for out-of-pocket expenses, separately, for each of the fiscal years ending September 30, 2017, 2018, and 2019.
- f. Include a time budget by employee classification for the audit
- g. Method to be employed to calculate future year audit costs (i.e. for the additional two-year extension option).

**8.13 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 should be performed only if set forth in an addendum to the contract between the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the same rates as specified herein.

**8.14 Method of payment.** Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's cost proposal. Interim billings shall cover a period of not less than a calendar month.

**8.15** The City will provide the opportunity for the proposers to visit the City accounting division and review official documents.

**8.16** The contents of the proposals will be considered confidential information by the City, during the evaluation process. However, upon final award of the contract by City Council, all proposals will be available to the public for review and inspection.

**8.17 Work area, telephones, photocopying and FAX machines.** The City will provide the auditor with reasonable work space, desk and chairs. The auditor will also be provided reasonable access to appropriate telephones, photocopying and FAX machines and internet connections.

**8.18 Warranties.**

- **8.18.1** Proposer warrants that it is willing and able to obtain an errors and omission insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employee or agencies thereof.
- **8.18.2** Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the City.

## APPENDIX I

### Work Schedule

<u>Date</u>	<u>Description of Events</u>
September 30, 20YY	End of City's fiscal year
November 15, 20YY	Initial financial statements available to auditor; General ledger close by the City
December 31, 20YY	Completion of audit field work and proposed adjusting entries submitted to the City
January 31, 20YY	Audit opinion and annual financial report draft completed by auditor
February 15, 20YY	CAFR draft presented to Finance/Audit Committee
February 28, 20YY	CAFR presentation to City Council

## APPENDIX II

### CITY OF ROSENBERG CONTRACTOR INSURANCE REQUIREMENTS

Contractors providing goods, materials and services for the City of Rosenberg, Texas shall, during the term of the contract with the City or any renewal or extension thereof, provide and maintain the types and amounts of insurance set forth herein. All insurance and certificate(s) of insurance shall contain the following provisions:

1. Name the City, its officers, agents and employees as additional insured as to all applicable coverage with the exception of workers compensation insurance.
2. Provide for at least thirty (30) days prior written notice to the City for cancellation, non-renewal, or material change of the insurance.
3. Provide for a waiver of subrogation against the City for injuries, including death, property damage, or any other loss to the extent the same is covered by the proceeds of insurance.

Insurance Company Qualification: All insurance companies providing the required insurance shall be authorized to transact business in Texas and rated at least "A" by AM Best or other equivalent rating service.

Certificate of insurance: A certificate of insurance evidencing the required insurance shall be submitted by the successful Offeror prior to contract execution. If the contract is renewed or extended by the City a certificate of insurance shall also be provided to the City prior to the date the contract is renewed or extended. All coverage amounts listed shall be in United States dollars.

#### Type of Contract

#### Type and Amount of Insurance

Professional Services

General Liability insurance for Personal Injury (including death) and Property Damage with a minimum of \$1 million per occurrence and \$2 million aggregate, including Advertising Injury, Products Coverage.

Professional Liability Insurance with a minimum of \$1 million per occurrence and \$2 million aggregate.

Workers Compensation insurance as required by state law.

#### Notices

The Contractor shall notify the City in the event of any change in coverage and shall give such notices not less than 30 days prior the change, which notice must be accompanied by a replacement CERTIFICATE OF INSURANCE. All copies of the Certificates of Insurance shall reference the project name or RFP number for which the insurance is being supplied.

All notices shall be given to the City at the following address:

Linda Cernosek, TRMC, City Secretary  
P.O. Box 32, Rosenberg, TX 77471