



CITY OF ALAMEDA
REQUEST FOR PROPOSALS
For
PROFESSIONAL AUDITING SERVICES

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**CITY OF ALAMEDA
REQUEST FOR PROPOSALS
PROFESSIONAL AUDITING SERVICES**

I. INTRODUCTION

A. General Information

The City of Alameda is requesting proposals from qualified certified public accountant firms to audit its financial statements for two fiscal years beginning with the fiscal year ending June 30, 2015, with the option of auditing its financial statements for each of the three subsequent fiscal years.

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 Alameda 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 Juelle-Ann Boyer, Interim Finance Director, City of Alameda, 2263 Santa Clara Ave., Alameda, CA 94501, by **4:00 P.M. on November 13, 2014**. The City reserves the right to reject any or all proposals submitted.

During the evaluation process, the City of Alameda 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 Alameda, 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 Alameda and the firm selected.

It is anticipated the selection of a firm will be completed by January 6, 2015. 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 20, 2015 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 two years with an option to extend up to an additional three years subject to satisfactory negotiation of terms, including a price acceptable to both the City and the selected firm. 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 Alameda desires Financial Statements for the City of Alameda to be prepared by the independent auditor and be fully compliant with current GASB requirements for each of the subsequent years of the audit firm's contract with the City.

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

The audit firm will perform an audit of all of the funds of the City of Alameda. The City's Financial Statement will be prepared and processed by the audit firm. The audit firm will render their auditor's report on the basic financial statement 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.

The audit firm shall perform agreed-upon auditing procedures pertaining to the City's GANN Limit (Appropriation Limit) and render a letter annually to the City regarding compliance.

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.

In addition, the audit firm will prepare Financial Statements for the following:

- **Single Audit**
- **Police and Fire Retirement Plans 1079 and 1082**
- **Alameda County Measure B**
- **Proposition 1B**
- **Transportation Development Act**
- **Vehicle Registration Fees**
- **Successor Agency**

B. Auditing Standards

To meet the requirements of this Request for Proposals, the audit shall be performed in accordance with all applicable and generally accepted auditing standards including but not limited to:

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*, issued by the Comptroller General of the United States;
3. The provisions of the Single Audit Act as amended; 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 Alameda of the need to extend the retention period. The auditor will be required to make working papers available to the City of Alameda 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 Assistant City Manager (Operations).

III. DESCRIPTION OF THE GOVERNMENT

A. Background Information

The City of Alameda is located in Alameda County, in the eastern portion of the San Francisco Bay Area. The City serves approximately 75,000 residents in a land area of 19.45 miles . The City's fiscal year begins on July 1 and ends on June 30.

The City of Alameda was incorporated in 1854. The City operates under the Council/Manager form of government. The City Treasurer and City Auditor are also elected. Alameda is a full-service city with six areas of responsibility. These include General Government, Administrative Services, Community Services, Community Development, Public Safety and Public Services.

The City of Alameda’s operating budget in FY 2014-15 is approximately \$176 million for all funds combined (excluding Alameda Municipal Power) and includes \$30.9 million in capital project budgets.

B. Fund Structure

The City of Alameda currently uses or intends on using the following fund types and account groups in its financial reporting:

Fund Type/Account Group	City
General Fund	1
Component Unit	1
Special Revenue Fund	15
Debt Service Fund	2
Capital Projects Fund	6
Enterprise Fund	1
Internal Service Fund	9
Fiduciary Funds	3
Pension Trust Funds	2
Agency Fund	1
General Fixed Assets Account Group	1
General Long-Term Debt Account Group	1

C. Computer Systems

The City’s main computerized system is SunGard eFinance Plus which operates on a Cloud based platform. The applications operating on this system are general ledger, accounts payable, payroll, project accounting, purchasing and inventory. The City also utilizes HDL Prime for the business licenses.

D. Availability of Prior Reports and Work Papers

Katherine Yuen of Maze & Associates 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 City of Alameda audited Financial Statements and/or CAFR are available for review on the City’s website at www.alamedaca.gov/finance/2012-13-annual-financial-statements

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>
October 1, 2014	Request for proposal issued
October 28, 2014	Deadline for question submittal
November 13, 2014	Due date for proposals (due by 4:00 p.m.)
December 2014	Oral Interviews (conducted at City's discretion)
January 20, 2015	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 stage. It is expected the City will close its books and be ready for the final audit by September 30.

C. Date Reports Are Due

The auditor shall provide all drafts and recommendations for improvements to the Finance Director 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. Notification of any deficiencies identified should be brought to the Director's attention within 72 hours. Once all issues of discussion are resolved, the draft completed Financial Statements, Single Audit report and other reports shall be delivered to the Finance Director or designee for review by the first week of November. It is anticipated that this process will be completed and the final products shall be delivered no later than December 1.

Please Note: *The Auditors may be consulted occasionally throughout the year as an information resource. Auditors may be asked to provide guidance on implementation of Government Account Standards Board (GASB) requirements and specifics of federal and state regulations as they may affect local government accounting. In addition, the auditors may be asked to assist with the implementation of new pronouncements.*

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, access to the general ledger system, and photocopying machines.

C. Report Preparation

All reports noted in Section II.A. will be prepared and edited by the audit firm. The audit firm will also be responsible for the printing and binding of at least 25 copies of each of the aforementioned. In addition, for each of the aforementioned reports the City will require an electronic version and a camera ready pdf version.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

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

Brad Farmer, Finance Supervisor

bfarmer@alamedaca.gov

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 Alameda **by 4:00 p.m. on November 13, 2014** for a proposal to be considered.

PROPOSALS WILL NOT BE ACCEPTED THEREAFTER. All proposals received after said date and time will be returned unopened to the submitter. FAXED PROPOSALS WILL NOT BE CONSIDERED. POSTMARKS WILL NOT BE ACCEPTED. Please note that your response becomes property of the City of Alameda and a matter of public record.

The Proposal should be addressed as follows:

**City of Alameda
Brad Farmer, Finance Supervisor
2263 Santa Clara Avenue
Alameda, CA 94501**

B. Format for Technical Proposal

1. Title Page showing the request for proposals subject; the firm's name; the name, address, telephone number and email 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 Alameda 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 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 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, as 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. 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 current 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.

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 Alameda'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;
- 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. Breakdown of Costs

The cost proposal should contain breakdown for all direct and indirect costs including all out-of-pocket expenses for the following:

- Costs of Citywide Financials and additional required reports
- Single Audit Reports

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

3. Contract Provisions

A copy of the City's Professional Services Agreement is attached as Attachment C. Any exceptions to the terms in Attachment C shall be set forth in the proposal or the proposing firm shall be deemed to have accepted those terms. The usual Engagement Letter may be attached as an exhibit to the contract.

VII. EVALUATION PROCEDURES

A. *Review of Proposals*

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

Kevin Kearney, Auditor
Juelle-Ann Boyer, Interim Finance Director
Brad Farmer, Finance Supervisor
Carrie Dole, Finance Supervisor

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.
- k. Ability to meet the requirements of the City's Professional Services Agreement.

Attachment A

AUDIT WORK COST PROPOSAL FORM

Service	2014-15	2015/16	2016/17
City Audit and Related Reports	\$		
Single Audit Act Report	\$		
Appropriations Limit Review	\$		
Police and Fire Retirement Plans 1079 & 1082	\$		
Measure B	\$		
Proposition 1B	\$		
TDA Report	\$		
Vehicle Registration Fee Report	\$		
Total for Fiscal Year (not-to exceed)	\$		

Fees for succeeding years should be noted as well.

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	2014/15	2015/16	2016/17
Partner	\$	\$	\$
Manager	\$	\$	\$
Senior Accountant	\$	\$	\$
Staff Accountant	\$	\$	\$
Clerical	\$	\$	\$

Attachment C

SAMPLE AGREEMENT