



CITY OF WESTMORLAND

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Westmorland, California 92281

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REQUEST FOR PROPOSALS FOR AUDIT SERVICES

I. INTRODUCTION

A. GENERAL INFORMATION

The City of Westmorland is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending 2015/2016 with the option of auditing its financial statements for each of the two subsequent fiscal years.

To be considered, three (3) copies of the proposal must be received by Sally Traylor, City Clerk at 355 South Center Street, Westmorland CA 92281, by 4:00 P.M. on January 20, 2017. The City of Westmorland 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 of Westmorland's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. The City of Westmorland 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 proposals indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Westmorland and the firm selected. There is no expressed or implied obligation of the City of Westmorland to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

It is anticipated that the selected firm will be notified no later than February 3, 2017.

All inquiries relating to this Request for Proposals should be submitted to:

Sally Traylor
Finance Officer
City of Westmorland
355 South Center Street
Westmorland, CA 92281
Telephone: (760) 344-3411
Fax: (760) 344-5307
westcityusa@roadrunner.com

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Westmorland and the firm selected. The City of Westmorland reserves the right without prejudice to reject any and all proposals.

B. AUDITING STANDARDS

These audits are to be performed in accordance with generally accepted government auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) Government Auditing Standards, A-133, Audits of State, Local Governments, and Non-Profit Organizations or latest versions thereof, the applicable laws, rules and regulations of the Transportation Development Act (TDA), and the procedures contained in the publication Guidelines for Compliance Audits of California Redevelopment Agencies (2011) as promulgated by the Controller of the State of California. The financial statements are prepared in accordance with the latest Governmental Accounting Standard Board (GASB) pronouncements, as required.

C. SCOPE OF WORK TO BE PERFORMED

1. **City of Westmorland.** The City of Westmorland desires the auditor to express an opinion on the fair presentation of its basic financial statements. The auditor is not required to express an opinion on the combining and individual non-major fund financial statements and schedules. However, the auditor is to provide an "in-relation-to" report based on the auditing procedures applied during the audit of the basic financial statements. Certain limited procedures should be applied to budgetary comparison information, but an expression of an opinion is not required. The auditor is not required to express an opinion on the introductory and statistical sections.
2. **Transportation Development Act (TDA).** The auditor is expected to express an opinion on the fair presentation of the financial statements of the Transportation Development Act (TDA) funds and a Report on Compliance with applicable laws, regulations and administrative requirements governing its activities.
3. **Successor Agency (Former Redevelopment Agency Report).** The auditor is expected to express an opinion on the fair presentation of the financial statements of the Successor Agency (former Redevelopment Agency of Westmorland (RDA)) and a Report on Compliance with applicable laws, regulations and administrative requirements governing its activities.
4. **Single Audit Act Report.** The City receives federal funds which come under the provision of the Single Audit Act. The auditor is not required to audit the schedule of federal financial assistance. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements. This report must satisfy all requirements of the federal Single Audit Act of 2015
5. **Complete the Annual Financial Transactions Report** and file with the State Controller's Office.
6. **Complete the Annual Street Report** and file with the State Controller's Office.
7. **GASB 68 requirement** complete and incorporate as part of the financial report.
8. **Additional Consulting Hours.** The auditor shall be prepared to provide up to 20 additional consulting hours on accounting and technical matters throughout the year.

D. REPORTS TO BE ISSUED

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. A report of the fair presentation of the financial statements in conformity with generally accepted accounting principles, basic financial statements, including government-wide financial statements and fund financial statements, for all funds, and accompanying notes to the basic financial statements.

2. A report on internal controls over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
3. A report of the fair presentation of the financial statements of the Successor Agency (former RDA) of the City of Westmorland in conformity with generally accepted accounting principles and basic financial statements.
4. A report on internal controls over financial reporting and on compliance and other matters based on an audit of the financial statements of the Successor Agency (former RDA) of the City of Westmorland performed in accordance with *Government Auditing Standards*.
5. A report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

The auditor is responsible for the printing, binding and delivery of the following copies of each audit report:

7 Copies of the Single Audit

7 Copies of the filed Annual Financial Transactions Report and the Annual Street Reports

E. INTERNAL CONTROL AND COMPLIANCE REPORTS

In the required reports under internal control, the auditor shall communicate in a letter to management any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization'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 shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report on internal controls.

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the Finance Officer and the City Attorney.

Auditors shall assure themselves that the City is informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards.
2. Significant accounting policies.
3. Management judgments and accounting estimates.
4. Significant audit adjustments.
5. Other information in documents containing audited financial statements.
6. Disagreements with management.
7. Management consultation with other accountants.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.

II. GENERAL TERMS AND CONDITIONS

A. PROPOSAL REQUIREMENTS

1. **Requirement to Meet All Provisions.** Each individual or firm submitting a proposal (proposer) shall meet all of the terms and conditions of this Request for Proposals (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 for supplemental materials. Proposal documents shall be submitted in person or by mail to the City of Westmorland Finance Department, P.O. Box 699, 355 South Center Street Westmorland, CA 92281 by 4:00 PM January 20, 2017
3. **Insurance Certificate.** Each proposal must include a certificate of insurance showing:
 - a. The insurance carrier.
 - b. Scope of coverage and limits.
 - c. Deductibles and self-insured retention.

The purpose of this submittal is to generally assess the adequacy of the proposer's insurance coverage during proposal evaluation; endorsements are not required until contract award.
4. **Proposal Quotes.** The prices quoted by the proposer must be entered in figures as described in section H of the Proposal Requirements.
5. **Proposal Withdrawal.** A proposer may withdraw its proposal, without prejudice prior to the deadline submission, by submitting a written request to the Finance Officer for its withdrawal.
6. **Proposal Retention and Award.** The City reserves the right to retain all proposals for a period of 60 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. **Competency and Responsibilities of Proposer.** The City reserves full discretion to determine the competence and responsibility, professionally and/or financially, of proposers. Proposers will provide, in a timely manner, all information that the City deems necessary to make such a decision.
8. **Contract Requirement.** The proposer to whom the award is made (Contractor) shall execute a written contract with the City within ten (10) 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 incorporated in these specifications as Exhibit A.
9. **Insurance Requirements.** The Contractor shall provide proof of insurance in the form specified in Exhibit A within ten (10) calendar days after notice of contract award as a precondition to the contract execution.
10. **Business License.** The Contractor must have a valid City of Westmorland Business License before execution of the contract. Additional information regarding the City's Business License Program may be obtained by calling (760) 344-3411.

B. CONTRACT PERFORMANCE

1. **Ability to perform.** The contractor warrants 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, special district laws, ordinances, and regulations.
2. **Safety Provisions.** The contractor shall conform to the rules and regulations pertaining to safety established by OSHA and the California Division of Industrial Safety.
3. **Contractor non-Discrimination.** In the performance of this work, the Contractor 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 Contractor 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 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 Contractor.
5. **Manner of Payment.** Progress payments will be made on the basis of hours of work completed during the course of the engagement in accordance with the firm's dollar cost bid proposal. Interim billings shall cover a period of not less than a calendar month. Final payment will be made upon delivery of the firm's final reports within 30 days.
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 Westmorland of the need to extend the retention period. 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.
7. **Contract Term.** The contract will have a three-year term with the option to renew for an additional one to two years. At the end of each year, the City reserves the right to terminate services for the subsequent year upon 60 days notification.
8. **Field Work.** The City of Westmorland anticipates and expects the major field work for the City to begin on or near the first week of October of each year, this does not include preliminary field work which may occur in April, May, or June.
9. **Draft Reports.** The auditor shall provide draft copies of the audit reports and management letter no later than November 20th of each year.
10. **Final Reports.** The auditor shall provide final copies of the audit reports and management letter no later than December 10th of each year.
11. **Attendance at Meetings and Hearings.** As part of the scope of work, and included in the contract price, is attendance by the Contractor at up to three (3) public meetings to present and discuss its findings and recommendations. Contractor shall attend as many "working" meetings with staff as necessary in performing scope of work tasks.

III. PROPOSAL REQUIREMENTS

A. GENERAL REQUIREMENTS

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City of Westmorland in conformity with the requirements of this request for proposals. As such, the substance of the proposals will carry more weight than their 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 proposal's requirements.

The Technical Proposal should address all the points outlined in the request for proposals. The proposal should be prepared simply and economically, providing straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, items B- J **must** be included. They represent the criteria against which the proposal will be evaluated.

B. INDEPENDENCE

The firm should provide an affirmative statement that it is independent of the City of Westmorland, as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Accounting Standards (1994)*.

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

The firm should also list and describe their firms professional relationships involving the City of Westmorland 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 firm shall give the City of Westmorland written notice of any such professional relationships entered into during the period of this agreement.

C. LICENSE TO PRACTICE IN CALIFORNIA

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

D. FIRM QUALIFICATIONS AND EXPERIENCE

The proposer 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 staff to be so employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm this is to serve as the principal auditor should be noted, if applicable.

The firm 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 firm shall also provide information on the results of any federal or state desk review 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 firm 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.

E. 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 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 a 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 those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons only with the express prior written permission of the City of Westmorland. However, in either case, the City of Westmorland 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.

F. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES

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

G. 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 this request for proposal.

Proposers 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 of Westmorland'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 test of compliance

H. TOTAL MAXIMUM PRICE

The cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses. Cost should be specified for each fiscal year.

The audit proposal must include a cost breakdown in the following format. The annual fee for the audit of fiscal year 2016-2017 shall not exceed the following:

City of Westmorland Audit	<u>\$2,500.00</u>
Single Audit	<u>\$2,500.00</u>

The City of Westmorland will not be responsible for expenses incurred in preparing and submitting the technical proposal and cost bid. 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 firm, empowered to submit the bid, and authorized to sign a contract with the City of Westmorland.
2. A total maximum price for the five-year engagement.

I. RATES BY PARTNER, SPECIALIST, SUPERVISORY AND STAFF LEVEL TIMES HOURS ANTICIPATED FOR EACH

The cost bid should include a schedule of professional fees and expenses, which supports the total maximum price. Separate form should be prepared for each of the fiscal years 2016-2017, 2017-2018, 2018-2019, 2019-2020, and 2020-2021.

J. OUT-OF-POCKET EXPENSES IN THE TOTAL MAXIMUM PRICE AND REIMBURSEMENT RATES

All estimated out-of-pocket expenses to be reimbursed should be presented on the second page of the cost bid. All expense reimbursements will be charged against the total maximum price submitted by the firm.

K. RATES FOR ADDITIONAL PROFESSIONAL SERVICES

If it should become necessary for the City of Westmorland to request the auditor to render 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 of Westmorland and the firm. Any such additional work agreed to between the City of Westmorland and the firm 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. NAME AND TELEPHONE OF PRINCIPAL CONTACT

The auditor's principal contact with the City of Westmorland will be Sally Traylor, Finance Officer who will coordinate the assistance to be provided by the City of Westmorland to the auditor. Her telephone number is (760) 344-3411

B. BACKGROUND INFORMATION

The City of Westmorland, incorporated in 1934, has a city population of approximately 2,444. The City is a general law City and operates under a Council form of government. The City is located approximately 192 miles east of Los Angeles in Imperial County. The City of Westmorland's fiscal year begins July 1 and ends June 30.

The following services are provided by the City of Westmorland

Police
Fire
Streets and Roads
Parks
Sewers

The City of Westmorland has a total payroll of approximately \$ and employees.

C. FUND STRUCTURE

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

General
Special Revenue
Enterprise

D. BUDGETARY BASIS OF ACCOUNTING

The City of Westmorland prepares its budgets on a basis consistent with generally accepted accounting principles.

E. CURRENT FINANCIAL SOFTWARE

The City of Westmorland uses Tyler Technologies.

F. STATEMENTS AND SCHEDULES TO BE PREPARED BY STAFF OF THE CITY OF WESTMORLAND

City staff currently produces schedules and other backup for most balance sheet accounts at year end. The auditor is expected to produce any other necessary schedules. City staff will help obtain any necessary information.

G. WORK AREA

The City of Westmorland will provide the auditor with reasonable work space, desks, and chairs. The auditor will also be provided with access to an internet connection, copy and fax machine to be used for the audit.