

CITY OF LOS ALAMITOS

REQUEST FOR PROPOSALS -
PROFESSIONAL AUDITING SERVICES



PROPOSALS DUE
February 27, 2020 – 5:00 p.m.

Eric Hendrickson
Finance Director

City of Los Alamitos
3191 Katella Ave
Los Alamitos, CA 90720

**CITY OF LOS ALAMITOS
REQUEST FOR PROPOSALS
PROFESSIONAL AUDITING SERVICES**

I. INTRODUCTION

A. General Information

The City of Los Alamitos is requesting proposals from qualified certified public accounting firms to audit its financial statements for the three fiscal years beginning with the fiscal year ending June 30, 2020, with the option of auditing its financial statements for the two (2) subsequent fiscal years, in addition to performing other financial audits and reviews as specified below. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in *Government Auditing Standards* 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 Los Alamitos 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, five (5) copies of a proposal must be received by Eric Hendrickson, Finance Director, at 3191 Katella Ave, Los Alamitos, CA 90720, on or before **5:00 P.M. on February 27, 2020**. **NO LATE PROPOSALS WILL BE ACCEPTED.**

During the evaluation process, the City of Los Alamitos 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 Los Alamitos, 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 Los Alamitos and the firm selected.

The City anticipates that the selection of a firm will be completed by March 18, 2020 with a contract to be authorized by the Los Alamitos City Council at its **April 20, 2020** 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 three (3) years. The City of Los Alamitos reserves the right to extend the term of this contract for two (2) additional years, subject to the 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 and two additional years.

II. NATURE OF SERVICES REQUIRED

A. Scope of the Work to be Performed

The City of Los Alamitos desires a Comprehensive Annual Financial Report (CAFR) to be prepared by the independent auditor and be fully compliant with GASB requirements for the fiscal year ended June 30, 2020 and each of the subsequent years, June 30, 2021 and 2022 of the audit firm's contract with the City. The City will be planning to submit the CAFR to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting program.

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

1. Audit of all funds of the City of Los Alamitos. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States. The City's Comprehensive Annual Financial Report (CAFR) will be prepared and word processed by the audit firm. The CAFR will be in full compliance with GASB requirements. The audit firm will render their auditors' report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the City.
2. The audit firm will perform a single audit on the expenditures of federal grants in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the City's financial statements in accordance with *Government Auditing Standards* and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133. The single audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior audit findings where required.
3. The audit firm shall perform agreed-upon auditing procedures pertaining to the City's GANN Limit (Appropriations Limit) and render a letter annually to the City regarding compliance.
4. The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the City Manager.

B. Auditing Standards to be Followed

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

1. Generally Accepted Auditing Standards as set forth by the American Institute of Certified Public Accounts;
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 in 1996; and
4. The provisions of U. S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations.

C. Other Communications

The independent auditor shall make all communications to the Finance Director required by the audit standards under which the engagement is performed. The management of the City of Los Alamitos welcomes open discussion of concerns, questions and recommendations and expects the selected audit firm to participate fully in such discussions.

D. Working Paper Retention

All work papers and reports must be retained, at the auditor's expense, for a minimum of five years (or the retention timeframe established by the professional standards, whichever is longer), unless the firm is notified in writing by the City of Los Alamitos of the need to extend the retention period. The work papers are subject to review by federal and state agencies and other individuals designated by the City of Los Alamitos. Accordingly, the work papers shall be made available upon request.

In addition, the firm shall make the work papers generated by these audits available to successor auditors.

III. DESCRIPTION OF THE CITY OF LOS ALAMITOS

A. Background Information

The City of Los Alamitos is located in the northwest portion of Orange County, approximately 30 miles from downtown Los Angeles and 10 miles from Anaheim. It services an area of 4.3 square miles with a population of approximately 12,000. The City's fiscal year begins on July 1 and ends on June 30.

The City of Los Alamitos was incorporated on March 1, 1960 as a Charter City which operates under the Council/Manager form of government. The city government is divided into seven departments: City Council, City Manager/City Clerk, Administrative Services, Police, Community Development, Public Works, and Recreation and Community Services. The City provides many services, including police protection, construction and maintenance of streets and other infrastructure, public improvements, planning and zoning, recreational activities and cultural events, and general administrative and support services. The City contracts for fire protection services.

The City's total expected payroll for the year ended June 30, 2020 is approximately \$8.7 million covering approximately 50 budgeted full-time equivalents. The total municipal budget across all funds for the 2019-2020 fiscal year is \$18.2 million. The accounting and financial reporting functions of the City are centralized in the Finance Department which consists of three (3) full-time staff members. The City utilizes Tyler Technologies Incode Software for financial reporting.

B. Fund Structure

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

Governmental Fund Types

- General Fund (1 fund)
- Special Revenue Funds (11 funds)
- Debt Service Funds (1 fund)
- Capital Projects Funds (3 funds)

Proprietary Fund Types

- Internal Service Funds (5 funds)

The City may make additions to and/or deletions from this list and to the component units included in the reporting entity as deemed necessary.

C. Availability of Prior Reports and Work Papers

Lance, Soll & Lunghard, LLP in Brea, CA 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.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to, and including, the date proposals are to be submitted:

<u>Date</u>	<u>Activity</u>
January 22, 2020	Request for Proposal issued
February 27, 2020	Due date for proposals (due by 5:00 p.m.)
March 18, 2020	Successful audit firm notified
April 20, 2020	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 the interim stage.

Accounting records will be ready for audit by September 30. The audit fieldwork should begin no earlier than this date, and be completed no later than October 31. Changes in time requirements for any of these must be approved by the Finance Director in advance. A draft of the Comprehensive Annual Financial Report (CAFR) shall be completed by November 30.

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

A. Finance Department and Clerical Assistance

The Finance Department staff will be available during the audit to assist the firm by providing information, documentation, and explanations. Eric Hendrickson, Finance Director, will be responsible for acting as the liaison between the audit firm and the accounting personnel.

B. Work Area, Telephone, and Office Equipment

The City will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to a telephone, internet, and photocopying machines.

C. Report Preparation

In compliance with the above mentioned scope, reports to be prepared include:

1. Comprehensive Annual Financial Report (CAFR)

Preparation of the financial statements, schedules, and accompanying notes are to be prepared by the audit firm for inclusion in the City's CAFR in time to meet the requirements of the GFOA Award program (December 31).

The auditor's report on compliance containing:

The results of evaluating the City's system of internal controls. The report should identify any material weakness and reportable conditions in internal controls and whether the City's internal controls are adequate to provide reasonable assurance that the City's assets are managed in compliance with all laws and regulations governing the City.

A statement of positive assurance with respect to items tested for compliance including compliance with laws, rules, and regulations pertaining to programs and other items which could have a material effect on financial reports. In addition, the auditor's report shall disclose whether the organization has complied with laws and regulations that may have a material effect on the City's financial statements.

2. **Single Audit**

The audit report shall state that the audit was made in accordance with the single audit provisions of OMB Circular A-133. The auditor's report on the study and evaluation of internal control systems should identify whether the organization's significant internal accounting controls provide reasonable assurance that Federal programs are being managed in compliance with laws and regulations. This report should also identify any controls which were not evaluated, and the material weaknesses and other reportable conditions identified as a result of the evaluation.

Ten (10) printed copies of the Single Audit and one (1) copy of the SF-SAC Data Collection Form shall be delivered to the City in time to meet Single Audit reporting requirements.

3. **Letters**

- Agreed upon procedures letter – Gann Limit – Five (5) copies
- Communication to Financial Oversight Body - Ten (10) copies
- Management Letter – Five (5) copies

VI. PROPOSAL REQUIREMENTS

A. General Requirements

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

Eric Hendrickson
Finance Director
3191 Katella Avenue
Los Alamitos, CA 90720
(562) 431-3538, ext 222
ehendrickson@cityoflosalamitos.org

2. Submission of Proposal. Five (5) copies of the Proposal shall be received in the office of the Finance Department of the City of Los Alamitos **by 5:00 p.m. on February 27, 2020** for a proposal to be considered. The Proposal should address the items listed below.

The Proposal should be addressed as follows:

City of Los Alamitos
Eric Hendrickson
Finance Director
3191 Katella Avenue
Los Alamitos, CA 90720

B. Format for Technical Proposal

For an audit firm to be considered, the following material is requested to be received by the due date, (February 27, 2020) in a sealed envelope:

1. **Title Page**

The title page shall show the RFP subject, name of the audit firm, local address, telephone number, name and title of contact person, and the firm's California CPA License Number and Firm's Federal Identification Number.

2. **Cover Letter**

The cover letter should briefly state the firm's understanding of the work to be performed, the commitment to perform the work in the required time frame and statements as to why the firm believes it is best qualified to perform the engagement. The cover letter should also make a statement that the firm's offer is a firm, irrevocable offer for 90 days. The cover letter should indicate whether the firm is independent with respect to the City of Los Alamitos and that the firm is an Equal Opportunity Employer.

3. **Table of Contents**

The table of contents should include a clear and complete identification of the materials submitted by section and page number. Cross-referencing to section and page number in the RFP would be helpful.

4. **Content**

The purpose of the Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit in conformity with the requirements of this Request for Proposal. As such, the substance of 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 Request for Proposal requirements.

The Proposal should address all the points outlined in the RFP. The proposal should be prepared simply and economically, providing a straightforward, concise description of the firm's capabilities to satisfy the requirements of the request for proposal. While additional data may be presented, the areas detailed below must be included. They represent the criteria against which the proposal will be evaluated.

The audit firm should set forth the following:

- *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.
- *Independence*
The firm should provide an affirmative statement that it is independent of the City of Los Alamitos as defined by generally accepted auditing standards as defined by the U.S. General Accounting Office's Government Auditing Standards.
- *Business License*
The independent auditor selected must possess a City of Los Alamitos business license while conducting any work under this contract.
- *Insurance*
The audit firm shall make a positive statement that it has the required insurance policies in force in amounts of coverage for not less than \$2,000,000 for Professional Liability, Errors and Omissions, Workers Compensation, Comprehensive General Liability and Auto (Owned and Non-Owned). Prior to any commencement of audit services, the auditor will be required to provide certificates of insurance coverage to the City of Los Alamitos, as prescribed in the Professional Services Agreement.
- *Firm Qualifications and Experience*
To qualify the firm must have extensive experience in audits of local governments. 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, 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.

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 that is to serve as the principal auditor should be noted, if applicable.

If the proposer will be subcontracting any portion of the audit to another individual or firm, the proposal must include a list of all subcontractors to be used. No substitutions of subcontractors may be made without prior written consent of the City of Los Alamitos.

The proposer is also required to submit a copy of the report on its most recent external quality control (peer) review, with a statement whether that quality control review included a review of specific government engagements (required by *Government Audit Standards*).

The proposer shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the proposer shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

- ***Partner, Supervisory and Staff Qualifications and Experience***

Staff assigned to the City of Los Alamitos audit fieldwork shall include at least one CPA with three (3) or more years of local government auditing experience. This person will be at the supervisory level. There shall be at least one additional person on the audit staff who has completed at least one (1) full year in local government auditing. The total audit staff should be at a level sufficient to complete the audit within the time schedule specified above. In addition, the audit staff should remain constant throughout the audit and at least one (1) staff member from the current year's audit is to be a member of the next year's audit team.

Identify the principal supervisory and management staff, including engagement partners, managers, and other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in California. Also, provide information on the government auditing experience of each person.

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 will be assured over the term of the agreement.

Principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists may be changed during the course of the agreement, however, the City of Los Alamitos reserves 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. **Local Government Client References**

Provide a listing of at least five municipal clients which the firm's local office serves, with preferences to similar government entities who have received financial reporting awards from the GFOA and CSMFO. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

6. **Capabilities in General Consulting and Compliance Auditing**

Provide any other information regarding general consulting and special audits provided by the firm.

7. **Approach, Scope and Timing of the Audit**

The proposal should provide in detail the firm's approach to the City of Los Alamitos's audit, including procedures to be performed, tasks required as a part of the A-133 single audit, the use of statistical sampling, the utilization of computers on the audit engagement, analytical procedures that may be used, the consideration of laws and regulations, assistance required from City staff and proposed segmentation of the audit.

The proposal should also provide information of your firm's understanding of the objectives and scope of the engagement. Specifics should be provided of the auditing standards to be followed and reports to be issued by the audit firm.

D. Contents of Cost Proposal

1. **Total All-Inclusive Maximum Price**

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

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".

2. **Manner of Payment**

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

VII. EVALUATION PROCEDURES

A. Evaluation Criteria

Proposals will be evaluated based upon their response to provisions of this Request for Proposal. The following criteria will be used to evaluate responses to this proposal:

1. The firm's licensing, independence with respect to the City of Los Alamitos and results of most recent peer review. This should include any disciplinary actions taken or pending against the firm.
2. Qualifications and related experience of the audit team who will be actually working on and coordinating the City's audit (i.e., Partner, Manager and Senior Auditors), including the firm's on-going efforts to keep its staff current and knowledgeable in governmental accounting practices.
3. Local government client references.
4. Commitment to timeliness in the conduct of the audit.
5. Thoroughness of approach to conducting the audit.
6. Demonstration of the understanding of the objectives and scope of the audit.
7. Maximum fees to conduct the audit.
8. The firm's past experience and performance on comparable government engagements.
9. 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.
10. Adequacy of proposed staffing plan for various segments of the engagement.

Attachment A

AUDIT WORK COST PROPOSAL FORM

Service	2019/20	2020/21	2021/22	2022/23	2023/24
City Audit and Related Reports	\$	\$	\$	\$	\$
GANN Limit Review Report	\$	\$	\$	\$	\$
Single Audit and Related Reports	\$	\$	\$	\$	\$
Total for Fiscal Year (not-to exceed)	\$	\$	\$	\$	\$