



CITY OF SEAL BEACH

**REQUEST FOR PROPOSAL
FOR
FINANCIAL AND SPECIAL AUDIT SERVICES**

DECEMBER 07, 2016

**CITY OF SEAL BEACH
REQUEST FOR PROPOSAL
PROFESSIONAL AUDITING SERVICES**

A. INTRODUCTION

The City of Seal Beach (City) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending June 30, 2017, June 30, 2018, and June 30, 2019. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States.

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Proposals will only be accepted from parties that are free from all obligations and interests that might conflict with the best interest of the City and are able to provide services on a timely basis in accordance with the timetable listed in Section E of this request.

Five copies of the proposal must be received by no later than 4:00 p.m., December 22 2016, at the address listed below for your firm to be considered for this engagement:

Robin L. Roberts
City Clerk
City of Seal Beach
211 8th Street
Seal Beach, CA 90740

Proposals submitted will be reviewed and evaluated by City staff to determine which firm best meets the needs of the City. Oral interviews will be held for the top firms submitting proposals. 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 request for proposal, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the firm selected.

It is anticipated that the selection process will be complete by January 19, 2017. Following the notification of the selected firm and Council approval, it is expected that a contract will be executed between both parties by February 27, 2017.

GENERAL INFORMATION

1. The City of Seal Beach

The City of Seal Beach is a Charter City in the State of California located in northern Orange county. The City was incorporated on October 25, 1915, and operates under a Council-Manager form of government. The City is a coastal community consisting of approximately 18.2 square miles with an estimated population of 24,700. The City is bordered by Garden Grove, Long Beach, Los Alamitos, Huntington Beach, and Westminster.

2. Organizational Structure

The City has a Council-Manager form of government with five members on the City Council. The City has approximately 92 full-time employees and 40 part-time employees. During the summer months, additional part-time staff is employed by the City's recreation and lifeguard departments.

Seal Beach operates as a "full service city", primarily utilizing contracts with other governmental entities, private firms and individuals to provide the supplemental municipal services to the community. City services include police, water, sewer, road maintenance, planning, building and engineering services. Fire protection is provided by the Orange County Fire Authority.

The City's principal revenue sources are property taxes (35%), utility users tax (15%), and sales & use taxes (15%).

3. Accounting System

The City and the Successor Agency to Seal Beach Redevelopment Agency (Agency) financial records are maintained by the Finance Department. The accounting records are computerized on a PC network utilizing Springbrook software applications. The City and the Agency currently have multiple bank accounts through which most of the banking activities flow. The City and the agency issue approximately 5,000 checks, excluding payroll, per year. There are no known exceptions to accounting principles generally accepted in the United States or other material accounting problems.

Copies of the City's comprehensive annual financial report (CAFR) are available upon request at City Hall at the following address:

City of Seal Beach
211 8th Street
Seal Beach, CA 90740

4. Name of Contact Persons/Location of Offices

The auditor's principal contact with the City will be Victoria L. Beatley, Director of Finance/City Treasurer, or a designated representative, who will coordinate the assistance to be provided by the City to the auditor. Reasonable workspace will be provided along with access to a telephone line, photocopying facilities, wi-fi and facsimile machines.

5. Finance Department and Clerical Assistance

The Finance Department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the City, with the assistance of the auditor.

C. SCOPE OF AUDITING AND ACCOUNTING SERVICES

The scope of the audit shall include all funds and accounts of the City and Agency.

1. The auditors shall accept the responsibility of expressing an opinion on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City and the Agency. If a Single Audit is required, the auditors shall provide opinions as to the compliance with the Federal Single Audit Act in accordance with the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
2. The fiscal periods to be covered by the audit are July 1, 2016 through June 30, 2019. The City shall have the options option, at its sole discretion, to renew the Agreement two additional one-year terms.
3. The audit firm will prepare all financial statements including the City's CAFR in accordance with the requirements of Governmental Accounting Standards Board and the *Governmental Accounting, Auditing and Financial Reporting (GAAFR)*. In addition, the audit firm prepare the GASB 34 entries and reconciliations. The transmittal letter, management's discussion and analysis, and statistical sections will be prepared by the City. The City submits its CAFR under the Government Finance Officers Association's (GFOA) "Certificate of Achievement for Excellence in Financial Reporting" award program.
4. It is expected that the selected firm will keep the City informed of new guidance and developments that may affect municipal accounting and finance.
5. Meetings shall be conducted at the beginning of the audit, prior to the commencement of fieldwork and after the first draft of the financial statements

have been prepared. The meetings shall be attended by the engagement partner or designated professional staff and City staff.

6. The auditors shall observe the adequacy of the systems of internal control, accounting procedures and other significant observations. If material weaknesses are noted, appropriate recommendations should be reviewed with management and included in a separate management letter. This letter should address areas where the City's operations could be impaired or controls could be strengthened. Upon the completion of the interim fieldwork, any deficiencies in the internal control system should be communicated to the Director of Finance/City Treasurer and the City Manager.
7. In addition to the audit reports and the management letter, the auditor shall perform certain GANN Appropriations Limit agreed-upon procedures for each of the years in the three-year period for the City.
8. The auditor is also expected to provide informal advice and consultation throughout the year on matters relating to accounting and financial reporting. This would not include any task that entails significant research or a formal report.
9. The firm should be available to the City Council and management to answer questions related to audit findings.
10. The auditing firm shall type and have printed the final financial statements and reports on or before the listed due dates in the number of copies specified.

a. Comprehensive Annual Financial Report	40
b. Single Audit Report	20
c. Management Letter	15
d. GANN Appropriations Limit Report	15
11. Management is not aware of any unusual circumstances warranting an extended scope; however, if in due course of the examination evidence of such circumstances occurs, the auditors shall agree to provide the City with all ascertainable facts relative to such circumstances together with an estimate of additional services required and the additional cost thereof in order that proper contract modifications may be completed before commencing with such extended examination.
12. The City acknowledges that it is management's responsibility for the reliability, accuracy and completeness of financial presentations.
13. Any exceptions to the City and the Agency's requirements should be clearly indicated in the proposal.

D. COORDINATION REQUIRED

1. All work will be coordinated with the Finance Manager to facilitate staff scheduling and year-end closing.
2. The auditor shall provide the Director of Finance/City Treasurer with periodic progress reports while performing the audit fieldwork. These reports shall identify problems encountered or foreseen, deficiencies in work being performed by City staff, disagreements over the application of accounting principles and other items that could result in delay of the audit work or additional work.
3. Prior to commencement of work each year, both parties shall establish in writing, an example format of each audit work paper and the financial statements and compliance statements to be prepared by the City.
4. The City expects that the professional staff provided by the independent audit firm will be fully qualified with the appropriate experience, and that answers and guidance given will be provided by executives to senior and junior staff.

E. PROPOSAL AND SUBMISSION REQUIREMENTS

1. Five (5) copies of proposals must be submitted to the City by 4:00 p.m. on December 22, 2016.
2. Proposals will be accepted only from parties that are free of all obligations and interest that might conflict with the best interest of the City.
3. The proposal of the successful firm shall be incorporated as part of the contract.
4. To achieve a uniform review process and obtain the maximum degree of comparability, proposals shall be organized in the following manner:
 - a. Title Page

Show the Request for Proposal subject, the name of your firm, local address, telephone number, name of contact person, alternate contact person and date.
 - b. Table of Contents

Clearly identify the material by section and page number.
 - c. Letter of Transmittal

Limit to one or two printed pages.

1. Briefly state your firm's understanding of the work to be done and make a positive commitment regarding availability to perform the work in a timely manner.
2. Give the names of the persons who will be authorized to make representations for your firm, their titles, addresses and telephone numbers.

d. Profile of the Organization, Technical Qualifications, and Approach

1. State whether your audit organization is national, regional, or local and indicate the location of the office that has responsibility for the audit.
2. Indicate the number of personnel by level located within the proposing office that will perform the audit.
3. Describe the range of activities performed by the proposing office, such as audits, accounting, tax services, or management services.
4. Provide a list of current and prior government audit clients (cities, successor agencies, special districts, and Federal Single Audits), including telephone number and contact person's name, indicating the type(s) of services performed and the number of years served.
5. Describe specialized audit services that the firm has provided for municipalities, such as transient occupancy tax audits, business license audits and franchise fee audits, etc.
6. Indicate the proposing office's experience in providing additional services to government clients by listing the name of each government, the type(s) of service performed and the year(s) of engagement.
7. Firm's formal education programs in the area of municipal accounting and auditing available to clients.
8. Describe any regulatory action taken against the firm or local office.
9. Describe your approach to the audit. This should include, at a minimum, the general approach, organization of audit team and expectation of assistance from City staff.
10. Anticipated amount of time (workdays) required to complete the audit. It is estimated that the records will be ready for audit by September 15th of each fiscal year.

The following timetable must be adhered to:

- a. Interim work is to be conducted after the contract award but no sooner than April. In subsequent years, interim work is to be conducted during April, May, or June.
- b. Final examination is to begin around September 15th each year.
- c. Copies of the draft CAFR and management letter are due October 31st.
- d. Final copies of CAFR and management letter are due November 16th.
- e. GANN Appropriations Limit agreed-upon procedures are due November 30th.
- f. Final copies of the Agency's Basic Financial Statements are due November 30th.
- g. Final copies of the Single Audit are due December 31st.

- 11. Why should Seal Beach consider hiring your firm?
- 12. What priority will your firm give Seal Beach on this engagement?
- 13. Describe the firm's participation in the "peer review" program. Provide the date and extent of the local office's last participation.
- 14. The City reserves the right to make such changes in the Request for Proposal as it may deem appropriate. Any and all changes in the Request for Proposal shall be made by a written addendum, which shall be issued by the City to all prospective firms who have been issued or obtained a copy of the Request for Proposal.
- 15. If the evaluation of any proposal indicates minor non-compliance or variance with the Request for Proposal, the City may, but need not, make written request to the firm for a supplement to the submitted proposal. Such request will attempt to identify the non-compliance or variance, and will establish a date in which the firm may submit a supplement to the Request for Proposal. If so requested, the firm may submit a supplement to the Request for Proposal responsive to such request, within the time period established, which the City will evaluate in conjunction with the Request for Proposal. Any supplement to the Request for Proposal will be deemed to be an integral part of the firm's submittal.

16. How do you plan to incorporate Statement on Auditing Standard No. 114 into the audit process?

e. Summary of the Firm's Individual Audit Staff Technical Qualifications

Identify the partners, managers and supervisors who will participate in the audit. Include resumes for each supervisory person to be assigned to the audit.

The City realizes that definite staff commitments may change from time to time. The City agrees to cooperate with the auditor in this regard; however, it reserves the right to approve substitutions for assigned audit personnel proposed for this engagement.

f. Basis for Increases/Decreases

The proposal should show how cost increases or decreases will be calculated, should the City subsequently request an adjustment in the scope of the audit.

g. Scope

Clearly describe the scope of the required services to be provided. Separately state the fees for the City's CAFR, Single Audit, and GANN Appropriations Limit agreed-upon procedures.

h. Insurance Requirements

Audit firm shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of the work hereunder by the audit firm, its agents, representatives, or employees. Workers' compensation insurance must be maintained per the requirements of the State of California. Any deductibles or self-insured retention levels must be declared to and approved by the City.

The General liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The City, its officers, officials, employees, and volunteers are to be covered as insureds as respects: liability arising out of activities performed by or on behalf of the audit firm; products and completed operations of the consultant; premises owned, occupied or used by the audit firm; or automobiles owned, leased, hired or borrowed by the audit firm. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, employees or volunteers.

2. For any claims related to the work described herein, the audit firm's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees or volunteers shall be excess of the audit firm's insurance and shall not contribute with it.
3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, has been given to the City.

Insurance is to be placed with insurers, which are "admitted" in the State of California unless otherwise acceptable to the City.

Audit firm shall furnish the City with original endorsements effecting coverage required by this clause. The endorsements are to be on forms provided by the City. All endorsements are to be received and approved by the City before work commences.

i. Indemnification

Audit firm agrees to protect, indemnify and hold harmless the City and its officers, officials, employees and agents from and against all claims, demands and causes of action by consultant's employees or third parties on account of personal injuries or death or on account of property damages arising out of the work to be performed by consultant hereunder and resulting from the negligent act or omissions of consultant, consultant's agents, employees or subcontractors.

F. FEES

It is the City's desire to solicit proposals for auditing and accounting services for a three year time period. The City requests that a statement of maximum cost be made for the annual audit and reports as set forth in this request for proposal. All expenses, including typing, clerical, printing costs, and binding should be included in the total audit fee. The fee should be allocated to the various reports and components of the audit (City CAFR, Single Audit, and GANN Appropriations Limit agreed-upon procedures) with a maximum annual fee for each of the three fiscal years ending June 30, 2017 through 2019.

The City requests that the proposal include a schedule of rates of professional staff by classification. The schedule should reflect rates for auditing services, accounting services and consulting services. It should also reflect the anticipated distribution of hours per staff classification.

G. EVALUATION OF PROPOSALS

Proposals will be evaluated by City staff to determine which firm best meets the needs of the City. The factors to be considered during the evaluation are:

1. The firm's response in clearly stating the understanding of the work to be performed.
2. The firm's experience with local government, redevelopment agency and federal and state grant audits.
3. The technical qualifications and experience of staff proposed for the audit with local government, redevelopment agency, and federal and state grants.
4. The firm's size and structure.
5. The anticipated support requirements of City staff.
6. The audit fees.

All proposals will be evaluated first by City staff using the above criteria. After the top candidates have been selected using this criteria, oral interviews may be arranged to assist in making the final decision. If held, oral interviews will be conducted by a panel designated by the City Manager or his/hers designee. Selection of the successful proposal will be at the sole direction of the City Council. All firms will be notified of the Council's selection following the award of the contract.

H. ADDITIONAL INFORMATION

1. The City will not be liable for any cost incurred in preparing proposals or associated travel costs. The City reserves the right to request such additional information as the City may reasonably require for evaluation purposes. The City also reserves the right to conduct pre-contract negotiations with any or all potential firms.
2. The submission of a proposal shall be evidence that the firm has full knowledge of the scope, nature, quantity and quality of work to be performed, the detailed requirements of the specifications, and the conditions under which the work is to be performed.
3. The City reserves the right to reject any and all proposals and to accept the proposal most favorable to the City's interest and the right to waive irregularities in the procedures described in the request for proposal.

4. If the selected certified public accounting firm does not execute an agreement with the City within fourteen (14) days after notification of selection, the City may give notice to that firm of the City's intent to select from the remaining firms or to call for new proposals, whichever the City deems appropriate.
5. The City may conduct personal interviews with the top firms prior to selection. If conducted, it would be desirable that senior audit staff be present for the interviews.
6. All supervisory and managerial personnel assigned to the engagement, including the person in charge of the daily fieldwork, must have appropriate significant local government and redevelopment agency audit experience. The field staff assigned to the City must include one person with at least two years of audit experience, including local government and redevelopment agency audit experience.
7. The total audit staffing should be at a level sufficient to complete the audit in the time scheduled and specified in the request for proposal. In addition, the audit staff should remain constant through each year's audit process. At least one staff member from the prior year's audit is to be a member of the subsequent year's audit team.
8. The auditors shall comply with the provisions of any and all Federal, State, County and City orders, statutes, ordinances, bond covenants, administrative codes and orders, rules and regulations that may pertain to the work required in the engagement.
9. Working papers shall be retained by the audit firm for a minimum of three (3) years after the conclusion of the engagement unless authorized to do otherwise in writing by the Director of Finance/City Treasurer or the City Manager. Accordingly, the work papers shall be made available upon request.
10. It is expected that the firm chosen will make itself available for additional projects that may be necessary from time to time. Separate fees will be negotiated for each project.
11. Compensation for the auditing and accounting services will be paid upon submission of progress billings. A final billing will be paid after receiving the required final reports.
12. It is mutually understood and agreed that the successful firm shall not assign, transfer, convey, sublet or otherwise dispose of the contract or the right, title, or interest therein, or the power to execute such contract, to any other person, company or corporation without prior written consent of the City Manager.

13. After the award of the contract has been made by the City Council, all findings and information considered in determining which proposal best meets the needs of the City and will be most advantageous with respect to price, conformity to the specifications and other factors, will be made available for public inspection.
14. Causes for termination of the contract may include the following: failure to promptly and faithfully provide the services required in this Request for Proposal; failure to cooperate upon receiving any reasonable request for information for service; and improper actions of the firm's officers or employees. The City retains the right to cancel this agreement without cause by providing written notification.