



CITY OF  
CLOVERDALE

**Request for Proposals**

PROFESSIONAL AUDITING SERVICES

October 1, 2019

**Deadline for Proposal Responses November 21, 2019 – 5:00 PM (Pacific Time)**

# City of Cloverdale

## Request for Proposals – Professional Auditing Service

### I. INTRODUCTION

#### A. General Information

The City of Cloverdale “City” is requesting proposals from qualified certified public accountant firms to audit its financial statements for fiscal years beginning July 1 and ending June 30; 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 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.

The contract term with the City’s current audit firm, Terry E Krieg, has come to an end. While the City has been satisfied with the services, Assembly Bill No. 1345 12410.6 limits the number of years that an audit firm can review the financial statements. Therefore, the City is seeking formal audit proposals at this time ensuring competitive pricing and services. Accordingly, the current auditor is precluded from consideration because of said Assembly Bill.

To be considered, three (3) copies of a proposal must be received by Susie Holmes, Finance Director at 124 N. Cloverdale Blvd., Cloverdale, CA 95425, by **5:00 P.M. on November 21, 2019**. The City reserves the right to reject any or all proposals submitted.

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

It is anticipated the selection of a firm will be completed by **January 17, 2020**. 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 29, 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) fiscal years ending June 2020, 2021, 2022 and an option of three one-year extensions. 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 Cloverdale desires a Comprehensive Annual Financial Report (CAFR) and its basic financial statements for the City of Cloverdale to be prepared by the independent auditor and be fully compliant with all current GASB pronouncements. The City may 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:

The audit firm will perform an audit of all funds of the City of Cloverdale. 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 all current GASB pronouncements. 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.

The audit firm will perform a single audit on the expenditures of federal grants in accordance with the Uniform Guidance requirements 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 the Uniform Guidance. 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.

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.

The audit firm shall provide, compile, and file the Annual Report of Financial Transactions to the State Controller of California, from data provided by City staff.

The audit firm shall prepare and file the required annual reports for the Cloverdale Improvement Authority, which include but are not limited to the Annual Report of Financial Transactions.

**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 the most current version of the *Generally Accepted Government Auditing Standards* (Yellow Book), 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, the Uniform Guidance, and applicable OMB Compliance Supplements.

**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 Cloverdale of the need to extend the retention period. The auditor will be required to make working papers available to the City of Cloverdale 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 Finance Director.

**III. DESCRIPTION OF THE GOVERNMENT**

**A. Background Information**

The City of Cloverdale is located in Northern California nestled among gently rolling hills and lush vineyards of the renowned Alexander Valley; the northern portion of Sonoma County on Highway 101; approximately 80 miles north of San Francisco; near the Russian River and Lake Sonoma and approximately 25 miles east of the coastline on Highway 1. The City is rural in character, encompasses about 2.6 square miles of territory and has a population of approximately 8,600. The City’s fiscal year begins July 1 ends June 30 and has an operating budget in FY 2019-20 of approximately \$17 million for all funds combined.

The City of Cloverdale was incorporated in 1872 as a general law city which operates under the Council/Manager form of government. The City government is divided into eleven (20) divisions: City Council; City Manager; City Clerk; Community Support; Human Resources; Risk Management; Finance; General Services; Police Administration; Police Operations; Communications/Records (Dispatch); Police Auxiliary Services; Facilities Maintenance; Parks and Recreation; Cemetery; Planning Commission; Current Planning (Building, Code Enforcement); Long Range Planning; Engineering and Building Services; Engineering, Plan Check, Inspection. Special Funds include Retirement Fund; Inclusionary Housing Fund; Gas/Sales Tax-Street Maintenance and Storm Drain Maintenance; Measure M Sales Tax; Safe Routes to School Fund; CDBG Fund; Porterfield Creek Trails Open Space Preserve and 7 different Lighting and Landscape Assessment Districts. The City has (3) Enterprise funds consisting of Water, Sewer and Airport and a Successor Agency for RDA.

**B. Fund Structure**

The City of Cloverdale currently uses the following fund types in its financial reporting. The number and type of funds are subject to change based on the needs of the City. Any such change shall not result in change in the audit fee.

<b>Government Funds</b>	
General Fund	1
Special Revenue Funds	14
Capital Projects	1
<b>Business Type Funds:</b>	
Enterprise Funds	3
<b>Fiduciary Fund:</b>	<u>1</u>
<b>Total Funds</b>	<b>19</b>

**C. Magnitude of Finance Operations**

The Finance Department is headed by Susie Holmes, Finance Director, and consists of four additional employees. The principal functions performed are accounting, accounts payable,

accounts receivable, utility billing (water and sewer), business license administration, payroll, cash management, investments, budgeting, and financial reporting.

**D. Computer Systems**

The City’s computerized systems are run on a Local Area Network (LAN). The accounting functions are computerized using Springbrook-Accela Finance Systems software on a cloud-based platform. The applications operating on this system are General Ledger; Accounts Payable; Accounts Receivable; Payroll; Licenses and Permits; Project Management; Bank Reconciliation; Cash Receipts; Human Resources; Purchase Orders and Utility Billing.

**E. Availability of Prior Reports and Work Papers**

Terry E Krieg. 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 following financial statements were prepared or audited by Terry E Krieg, CPA, and are available for review on the City’s website at [www.cloverdale.net](http://www.cloverdale.net)

1. City of Cloverdale Basic Financial Statement
2. Single Audit Report if necessary.

**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:

Date	Activity
October 1, 2019	Request for proposal issued
November 21, 2019	Due Date for proposals (due by 5:00 p.m.)
December 16-19, 2019	Oral interviews (conducted at City’s discretion)
January 17, 2020	Notification of Recommended Selection
January 29, 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 interim audit stage in May or June of each year. The City closes its books in September and will be ready for audit field work by October of each year.

**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. Once all issues of discussion are resolved, the completed CAFR, Basic Financial Statements, Single Audit report and other reports shall be delivered to the Finance Director. This process will be completed, and the final products be delivered by December 15<sup>th</sup> of each year.

**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, internet connectivity, a computer with access to the general ledger system, and photocopying machines.

**C. Report Preparation**

Report preparation, editing, printing, tabbing, and binding shall be the responsibility of the auditor.

1. *Comprehensive Annual Financial Report (12 copies & digital file in Adobe Acrobat format)*
2. *Single Audit Report (7 copies & digital file in Adobe Acrobat format)*
3. *Management Discussion and Analysis (7 copies & digital file in Adobe Acrobat format)*

**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:

Susie Holmes, Finance Director  
124 N. Cloverdale Blvd  
Cloverdale, CA 95425  
(707)894-1715  
[sholmes@ci.cloverdale.ca.us](mailto:sholmes@ci.cloverdale.ca.us)

**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 Cloverdale **by 5:00 p.m. on November 21, 2019** for a proposal to be considered. The Proposal should address the items listed in sections C and D below.

The Proposal should be addressed as follows:

**City of Cloverdale  
Susie Holmes, Finance Director  
124 N. Cloverdale Blvd.  
Cloverdale, CA 95425**

**B. Format for Technical Proposal**

1. Title Page showing the request for proposals subject; the firm's name; the name, address, and telephone number 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 must be included verifying the firm and all assigned key professional staff are properly licensed to practice in California.

*2. Independence*

The firm must provide an affirmative statement that it is independent of the City of Cloverdale 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 prepared in accordance with GAAP. 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 (required by current 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. The RFP for Professional Auditing Services 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 account 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 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 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. Also, please indicate whether the audit was part of a Comprehensive Annual Financial Report prepared in conformance with GAAP requirements. Information should be provided regarding clients that the firm serves that have received the CSMFO and GFOA awards.

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 Cloverdale’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. Total All-Inclusive Maximum Price*

The cost proposal should contain all detailed 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.

*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.