

## NOTICE INVITING BIDS

Notice is hereby given that sealed proposals will be received by the City of San Fernando, California, for furnishing the following:

### PROFESSIONAL AUDIT SERVICES

in strict accordance with the Specifications on file in the office of the SAN FERNANDO FINANCE DEPARTMENT, 117 Macneil Street, San Fernando, California, 91340. Copies of specifications and proposal documents may also be obtained from the City's website at:

<http://ci.san-fernando.ca.us/sample-page-2/rfps-rfqs-nibs/>

One (1) original, two (2) copies, and one electronic copy of the proposal must be submitted to the CITY CLERK'S OFFICE in a sealed envelope at CITY HALL, 117 Macneil Street, San Fernando, California, 91340, not later than 5:30 p.m. on Thursday, February 9, 2017. In lieu of providing an original copy, proposals will also be accepted via email and must be received prior to the deadline indicated above. Any bidder may withdraw their proposal, without obligation, at any time prior to the scheduled closing time for receipt of proposals. A withdrawal will not be effective unless made personally or by telephonic notification received prior to the closing date. Proposals may later be referred to the City Council for appropriate action. The City reserves the right to reject any or all proposals as the best interests of the City may dictate.

By: Elena Chavez, City Clerk

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# REQUEST FOR PROPOSALS



The Finance Department is requesting proposals for:

## Professional Audit Services

RELEASE DATE: January 5, 2017

RESPONSE DUE: February 9, 2017

## GENERAL INFORMATION

The City of San Fernando is requesting proposals from qualified certified public accounting firms to audit its financial statements for a three-year contract period commencing with the fiscal year ending June 30, 2017 through fiscal year ending June 30, 2019 with an option to extend for up to two (2) one-year periods, at the City's discretion. 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 Audit 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*. The required services and performance conditions are described in the Scope of Work.

## BACKGROUND

The City of San Fernando was incorporated in 1911 and is currently organized according to the City Council/City Manager form of government with seven departments, including a Police Department, Public Works Department, and Recreation and Community Services Department. The City employs approximately 125 full-time equivalent positions from a total Adopted Budget for fiscal year 2016-2017 of \$42.1 million, which includes a General Fund budget of \$17.8 million. The City is a cost conscious provider of outstanding public services to its citizens and local businesses.

The City believes that the open competition for services and products provides the City with the best results for its public dollars. The City is interested in receiving responsive and competitive proposals from experienced and qualified certified public accounting firms to provide professional audit services. What follows is a description of the technical environment, contractor staffing, qualifications, and performance expectations.

## INSTRUCTIONS TO SUBMITTING FIRMS

### A. Examination of Proposal Documents

By submitting a proposal, the prospective firm represents that it has thoroughly examined and become familiar with the services required under this RFP, and that it is capable of delivering quality services to the City in a creative, cost-effective & service-oriented manner.

### B. Questions/Clarifications

Please direct any questions regarding this RFP to Sonia Garcia, Interim Finance Director, via e-mail at [sgarcia@sfcity.org](mailto:sgarcia@sfcity.org). Questions must be received by 5:30 p.m. on **Thursday, January**

**26, 2017.** All questions received prior to the deadline will be collected and responses will be emailed by **Thursday, February 2, 2017.**

**C. Submission of Bid Proposals**

One (1) original, two (2) copies, and one electronic copy (electronic copy may be emailed as directed below) of the bid proposal must be submitted to the City Clerk's Office in a sealed envelope at City Hall, 117 Macneil Street, San Fernando, California 91340 no later than Thursday, **February 9, 2017 at 5:30 p.m.** All proposals received after that time will not be accepted. The sealed envelope should be labeled "City of San Fernando RFP – Professional Audit Services." Electronic copies may be submitted via email to Sonia Garcia at [sgarcia@sfcity.org](mailto:sgarcia@sfcity.org), but will not be accepted in lieu of submitting a sealed bid to the City Clerk's Office.

**D. Withdrawal of Proposals**

A firm may withdraw its proposal at any time before the due date for submission of proposals as provided in the RFP by delivering a written request for withdrawal signed by, or on behalf of the prospective firm.

**E. Rights of City of San Fernando**

This RFP does not commit the City to enter into a Contract, nor does it obligate the City to pay for any costs incurred in preparation and submission of proposals or in anticipation of a contract.

The City reserves the right to:

- 1) Make the selection based on its sole discretion;
- 2) Reject any and all proposals without prejudice;
- 3) Issue subsequent Requests for Proposal;
- 4) Postpone opening for its own convenience;
- 5) Remedy technical errors in the Request of Proposal process;
- 6) Approve or disapprove the use of particular sub-contractors;
- 7) Negotiate with any, all, or none of the prospective firms;
- 8) Solicit best and final offers from all or some of the prospective firms;
- 9) Accept other than the lowest offer; and/or
- 10) Waive informalities and irregularities in the proposal process.

**F. Contract Type**

It is anticipated that a standard form professional services agreement contract will be signed subsequent to City Council review and approval of the recommended firm.

## G. Collusion

By submitting a proposal, each prospective firm represents and warrants that; its proposal is genuine and not a sham or collusive or made in the interest of or on behalf of any person not named therein; that the prospective firm has not directly, induced or solicited any other person to submit a sham proposal or any other person to refrain from submitting a proposal; and, that the prospective firm has not in any manner sought collusion to secure any improper advantage over any other person submitting a proposal.

## SCOPE OF SERVICE

The City of San Fernando desires a Comprehensive Annual Financial Report (CAFR) and its component unit financial statements for the City of San Fernando to be prepared by the independent auditor and be fully compliant with all current GASB pronouncements. The City will submit the CAFR to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting program. The City has received this award for the last 25 years.

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

1. The audit firm will perform an audit of all funds of the City of San Fernando. 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 General 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.
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 (Article XIII B annual review of appropriations limit calculations) 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.
5. The audit firm will be required to provide special assistance in order to meet requirements of the GFOA program, including preparing answers to all GFOA and/or CSMFO comments, if applicable.

#### 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 Accountants;
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;
4. The provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, and any recent changes thereto; and
5. Governmental Accounting Standards Board (GASB) Pronouncements, and any other guidelines, as applicable.

#### 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 San Fernando of the need to extend the retention period. The auditor will be required to make working papers available to the City of San Fernando 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.

### 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.

## **Description of the Government**

### Background Information

The City of San Fernando is located in the North San Fernando Valley in the County of Los Angeles and encompasses about 2.42 square miles with a population of 24,450. The City's fiscal year begins on July 1 and ends on June 30.

The City of San Fernando was incorporated on August 31, 1911 as a General Law city which operates under the Council/City Manager form of government. The city government is divided into seven departments: Administration (Including the Personnel Division), City Clerk, Finance, Police, Community Development, Public Works, and Recreation and Community Services. Fire and paramedic services are provided by the City of Los Angeles and animal control services are provided by the County of Los Angeles. Water and Sewer services are provided by the City and Refuse services are provided through a franchise agreement with a solid waste hauler. The City had a Redevelopment Agency with six (6) project areas prior to dissolution on February 1, 2012. The City serves as the Successor Agency to the San Fernando Redevelopment Agency and elected to take over the housing functions of the Agency.

The City of San Fernando's overall adopted budget for fiscal year 2016-2017 is \$42.1 million and the General Fund is \$17.8 million.

### Fund Structure

The City of San Fernando 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 a change in the audit fee:

<b>Number of Funds by Type</b>	
<b>Governmental Funds:</b>	
<b>General Fund</b>	1
<b>Special Revenue Funds</b>	38
<b>Total Governmental Funds</b>	39
<b>Proprietary Funds:</b>	
<b>Enterprise Funds</b>	2
<b>Internal Service Funds</b>	3
<b>Total Proprietary Funds</b>	5
<b>Fiduciary Funds:</b>	
<b>Private-purpose Trust Fund</b>	2
<b>Total Fiduciary Funds</b>	2
<b>Total Funds</b>	46

### Component Units

The City is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's *Codification Governmental Accounting and Financial Reporting Standards*, Section 2100. Using these criteria, component units are included in the City's financial statements.

The management of the City identified the Successor Agency to the San Fernando Redevelopment Agency as a component unit (with fiscal year ending June 30) for inclusion in the City's financial statements. This component unit is to be audited as part of the audit of the City's financial statements. The contact person and record location is the same as the primary unit.

### Magnitude of Finance Operations

The Finance Department is headed by Sonia Garcia, Interim Finance Director, and consists of 7 employees. The principal functions performed are accounting, accounts payable, accounts receivable, utility billing, payroll, cash management, investments, budgeting, financial reporting and risk management services.

### Computer Systems

The City's computerized systems are run on a Local Area Network (LAN). The accounting functions are computerized using Tyler Technology/Eden Systems software on a Windows platform. The applications operating on this system are general ledger, accounts payable, accounts receivable, payroll, human resources, purchasing, and utility billing.

### Availability of Prior Reports and Work Papers

Van Lant and Fankhanel, LLP 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 Van Lant and Fankhanel, LLP:

1. City of San Fernando Comprehensive Annual Financial Report
2. A Single Audit Report
3. GANN Limit (Article XIII B annual review of appropriations limit calculations)

### **Time Requirements**

#### Date Audit May Commence

Audit planning, documentation of systems of internal control and compliance and transaction testing should be completed during the interim audit in May or June each year. The City typically closes its books and is ready for audit field work to commence the last week of September each year.

#### 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, component unit financial statements, Single Audit report and other reports shall be delivered to the Finance Director. This process should be completed and the final products to be delivered by November 30<sup>th</sup> of each year.

### **Assistance to be Provided to the Auditor and Report Preparation**

#### Finance Department

Finance Department staff will be available during the audit to assist the firm by providing information, documentation, and explanations. The Finance Director, Senior Accountant and/or Accountant will be responsible for acting as the liaisons between the audit firm and the accounting personnel.

#### 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 access, a computer with access to the general ledger system, and photocopying and FAX machines.

## Report Preparation

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

1. *Comprehensive Annual Financial Report (15 copies & digital file in Adobe Acrobat format)*
2. *Single Audit Report, if necessary (15 copies & digital file in Adobe Acrobat format)*
3. *Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Schedule (2 copies & digital file in Adobe Acrobat format)*

## **PROPOSED TERM OF CONTRACT**

The proposed term of the contract is **three years, with options for two one-year extensions at the City's discretion.**

## **SCHEDULE FOR SELECTION**

RFP Available:	January 5, 2017
Deadline for submittal of Questions:	January 26, 2017 @ 5:30 pm
Response to Questions:	February 2, 2017
Deadline for submittal of Proposal:	February 9, 2017 @ 5:30 pm
Interviews (if necessary)	Week of February 20th
Agreement Presented to Council for Review & Approval:	March 20, 2017 (tentative)

## **METHOD OF SELECTION AND NOTICES**

The Selection Team, led by the Finance Director, will evaluate the information provided in the submitted proposals using the following criteria as a guideline:

- Completeness and Comprehensiveness.
- Responsiveness to City's issues.
- Potential to benefit the City.
- Experience of the firm providing similar services to other municipalities.
- Cost effectiveness.
- Quality of proposed staff.

## INFORMATION TO BE SUBMITTED

Prospective Firms must submit one (1) original, two (2) copies, and one digital copy of their proposal (digital copy may be submitted via email to [sgarcia@sfcity.org](mailto:sgarcia@sfcity.org) but will not be accepted in lieu of the original/copy due to City Hall).

1. Include a *Proposal Summary* Section

This section shall discuss the highlights, key features, and distinguishing points of the Proposal. A separate sheet shall include all the contact people on the Proposal and how to communicate with them.

2. Include a *Profile of the Proposing Firm(s)* Section

This section shall include a brief description of the Firm, including size, location of office(s), number of years providing service, organizational structure of the responsible division, etc.

Provide an affirmative statement that the firm is independent of the City of San Fernando as defined by auditing standards generally accepted in the United States and the General Accounting Office's *Government Auditing Standards*.

Additionally, this section shall include a listing of any lawsuit and the result of that action resulting from (a) any public project undertaken by the Firm where litigation is still pending or has occurred within the last five years or (b) any type of project where claims or settlements were paid by the Firm or its insurers within the last five years.

2. Include a *Qualifications of the Firm* Section

This section shall include a brief description of the Firm's qualifications, including an affirmative statement verifying the firm, and all assigned key professional staff, are properly licensed to practice in California, and previous experience on similar or related projects. Provide a description of pertinent project experience with other public municipalities (maximum of four) that includes a summary of the work performed, the total project cost, the period over which the work was completed, and the name, title, and phone number of clients to be contacted for references. Give a brief statement of the Firm's adherence to the schedule and budget for each project.

3. Include a *Work Plan* Section

In this section, present a well-conceived service plan. This section of the proposal shall establish the Firm's understanding of the City's objectives and work requirements as set forth in the Scope of Service and the Firm's ability to satisfy those objectives and requirements. Describe the proposed approach for addressing the scope of service, outlining the approach that would be undertaken in providing the requested services. Include a timetable for providing the service. Describe related service experience by the Firm in similar work.

4. Include a *Project Staffing* Section

In this section, discuss how the Firm would propose to staff this project. Firm's key project team members shall be identified by name, specific responsibilities on the project and their qualifications. An organizational chart for the project team and resumes for key Firm personnel shall be included. Key Firm personnel will be an important factor considered by the Finance Director. **There can be no change of key personnel once the proposal is submitted, without prior approval of City.**

5. Include a *Proposal Costs Sheet and Rates* Section

In this section, include the proposed costs to provide the services desired. Include any other cost and price information that would be contained in a potential agreement with the City.

In addition, include the costs for any other services that are considered optional additions.