



## REQUEST FOR PROPOSAL (RFP) TO PROVIDE AUDIT SERVICES FOR LINDON, UTAH

### 1. GENERAL

The purpose and intent of this Request for Proposal (RFP) is to identify and enter into a Professional Services Agreement with a qualified independent certified public accountant or firm (hereinafter called the "Auditor") to perform a financial audit of Lindon City's basic financial statements for the fiscal year ending June 30, 2013.

Lindon City is hereby advertising to prospective proposers who have experience in the public sector and who are Certified Public Accountants. Prospective proposers are responsible for making printed copies as required to satisfy their needs. The RFP will be available at the City website at [www.lindoncity.org](http://www.lindoncity.org).

Proposers are encouraged to inform the City of their intent to respond via email to the Finance Director and to initiate preparation of proposals immediately upon receipt of this RFP so that adequate time is available to prepare a comprehensive and complete response.

Lindon City is not liable for any costs incurred by proposers prior to issuance of an agreement, contract or purchase order. Costs of developing the proposals, oral presentations or any other such expenses incurred by the proposer in responding to the RFP are entirely the responsibility of the proposer, and shall not be reimbursed in any manner by the City.

In the event that it becomes necessary to revise any part of this RFP due to inquiries raised, an addendum, supplement or amendment to this RFP will be provided to proposers who received the RFP and those that have sent their intent to propose to the City's Finance Director.

The estimated schedule for completing the award of the Professional Services Agreement to the successful Auditor is set forth below. With the exception of the RFP due date, all dates are tentative and subject to modification to accommodate the City Council and Administrative staff schedules.

- |  |               |
|--|---------------|
| ▶ Response to RFP Due (4:00 pm Mountain Time)            | May 17, 2013  |
| ▶ Budget / Audit Committee Meets to Review RFP Responses | May 24, 2013  |
| ▶ Notifications to proposers                             | May 31, 2013  |
| ▶ Finalists Interviewed by Audit Committee               | June 7, 2013  |
| ▶ Contract Finalized with Successful Auditor             | June 11, 2013 |
| ▶ City Council Adopts Resolution Approving Contract      | June 18, 2013 |

## 2. BACKGROUND INFORMATION

Lindon City is located in northern Utah County. The City was incorporated in 1924 and has grown to a population of 10,348.

Lindon City currently has the following funds and account groups:

<u>Governmental Funds</u>	<u>Proprietary Funds</u>
General Funds	Enterprise Funds
General Fund	Water Fund
Class C Road Fund	Sewer Fund
Special Revenue Fund	Waste Collection Fund
Redevelopment Agency Fund	Storm Water Drainage Fund
Debt Service Fund	Recreation Fund
Capital Projects Funds	Telecommunications Fund
Parks CIP Fund	
Special Improvement District Fund	

The City does not have any other types of proprietary funds, other than enterprise funds. The governmental type funds use modified accrual accounting and the enterprise funds use accrual accounting.

The total budget for the fiscal year ending June 30, 2013 for all funds is \$18.5 million. Lindon City uses Caselle Clarity for its financial accounting software and utility billing. The City has a Budget / Audit Committee which consists of the mayor, two members of the city council, the city administrator, and the finance director.

Lindon City is required by state law to provide an annual audit of its financial statements by a Certified Public Accountant in accordance with generally accepted auditing standards. This audit must be submitted to the State Auditor's Office within six months after the end of the fiscal year. More details on the audit time frame expected by the City may be found in the next section, "Objective and Scope."

## 3. OBJECTIVE AND SCOPE

A financial audit is requested for the fiscal year ended June 30, 2013. The audit shall be performed in accordance with generally accepted auditing standards, as promulgated by the American Institute of Certified Public Accountants (AICPA); the AICPA Audits of State and Local Governmental Units audit and accounting guide; and the government auditing standards (GAS), published by the United States General Accounting Office. Federal compliance test work (if needed) will be done in accordance with Office of Management and Budget (OMB) Circular A-133.

Lindon City will be responsible for preparing and printing the Comprehensive Annual Financial Report (CAFR). The City has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for four consecutive years. The technical expertise of the Auditor will be relied upon to

continue to receive this certificate. The City has set up the following tentative timeline for fieldwork and preparation of the CAFR for the first year:

- ▶ Auditor's initial meeting with the City's Budget / Audit Committee Aug. 30, 2013
- ▶ Trial balances & supporting documentation complete Sept. 30, 2013
- ▶ On-site fieldwork, review and testing by Auditor Oct. 7-25, 2013
- ▶ First draft of CAFR ready for Auditor review Dec. 3, 2013
- ▶ Auditor's report to City's Budget / Audit Committee Dec. 10, 2013
- ▶ Final draft of CAFR complete (with audit letter) Dec. 13, 2013
- ▶ Report submitted to City Council in regular meeting Dec. 17, 2013

The Auditor will be expected to meet with the City's Budget / Audit Committee prior to the start of audit fieldwork to discuss audit scope and committee concerns. In addition, the Auditor will be expected to meet with the committee and then with the City Council once the audit has been completed, typically after the audit letter has been issued.

Federal and state grants will be available for single audit and compliance testing around August 1<sup>st</sup>, when applicable. The City is willing to modify the above-referenced schedule to meet the auditor's work schedule. The City desires, however, to have the final CAFR completed, reviewed, and presented to the City Council no later than the second council meeting in December, which for this year is December 17, 2013.

#### **4. REPORT REQUIREMENTS**

For financial audits, the Auditor shall examine the financial statements and records of the City and shall issue an Auditor's opinion on the City's financial statements with an in-relation-to opinion on combining and supplementary information, if any. Such financial statements shall be prepared in conformity with generally accepted accounting principles (GAAP).

The Auditor shall issue a compliance report based on the audit of general purpose or basic financial statements and a report on the internal control structure, both in accordance with GAS.

The Auditor shall prepare and include a statement expressing positive assurance of compliance with state fiscal laws identified by the State Auditor and other financial issues related to the expenditure of funds received from federal, state, or local governments.

The Auditor shall prepare a comprehensive management letter including the Auditor's findings and recommendations relative to the internal accounting and administrative controls, compliance with laws and regulations as applicable, and adherence to GAAP.

The Auditor shall include the written responses from Lindon City for each recommendation included in the state compliance letter and the management letter required by the State of Utah Legal Compliance Audit Guide.

For audits completed in accordance with the Single Audit Act, the Auditor shall examine the financial systems and records as they relate to the various federal grants and

agreements and shall issue auditor's reports on internal and administrative control and on compliance with federal and state laws and regulations as required by generally accepted auditing standards promulgated by the AICPA.

## 5. AUDIT TERM

If the selected certified public accounting Auditor performs satisfactorily for the June 30, 2013 audit, it is anticipated that the same Auditor will be engaged to perform the audit for the succeeding four years, subject to an annual evaluation by the City's Budget / Audit Committee and Lindon City Council appropriation. Lindon City will issue another RFP for auditing services in no more than five years.

## 6. PROPOSAL QUALIFICATION REQUIREMENTS

Interested certified public accountants and firms should include the following information in their proposal to perform the audit of the fiscal year ending June 30, 2013:

- a. *Title Page* - Show the subject, the name of the proposer's firm, local address, telephone number, name of contact person, e-mail address, and the date.
- b. *Table of Contents* - Include a clear identification of the material by section and page number.
- c. *Profile of the Independent Auditor* - The profile should provide general background information including:
  - i. The proposer's organizational structure and size, whether its operations are local, regional, national, or international.
  - ii. The location(s) of the office from which the work is to be done and the number of professional staff, by staff level, employed at the office.
  - iii. A statement on the proposer's staff capability to audit computerized systems and the level of familiarity with Caselle, the City's financial software.
  - iv. Provide a list of at least **three** paying municipal customers of your company who have retained your services. The list should provide a customer name, population, their financial system vendor and the time frame when your services were contracted. For each customer reference, include contact names, phone numbers and email addresses for financial staff.
  - v. A positive statement that the following mandatory criteria are satisfied:
    - (1) An affirmation that the proposer is properly licensed for practice as a Certified Public Accountant in the state of Utah.
    - (2) An affirmation that the proposer meets the independence requirements of the AICPA and the GAS.

(3) An affirmation that the Auditor meets the continuing education and external quality control review requirements outlined in GAS.

d. *Proposer's Qualifications*

- i. Identify the audit partners, audit managers, field supervisors and other staff who will work on the audit, including staff from other than the local office. Resumes including relevant experience and continuing education for the staff auditors up to the individual with final responsibility for the engagement should be included.
- ii. Describe the recent local office auditing experience similar to the type of audit requested.
- iii. If other auditors are to participate in the audit, those auditors should be required to provide similar information.

e. *Proposer's Approach to the Examination* - Submit a general audit work plan to accomplish the scope defined in these guidelines. The audit work plan should demonstrate the proposer's understanding of the audit requirements and the audit tests and procedures to be applied in completing the audit plan. The plan should detail the expected number of audit hours by staff level. The planned use of specialists should also be specified.

f. *Time requirements* - Detail how the reporting deadline requirements of the audit will be met. Specify if the timeline specified in Section 3 will need to be modified.

g. *Fees*

- i. Supply the billing rates, estimated number of billable hours, other billable expenses and a "not to exceed" fee for the audit, inclusive of travel, per diem, and all other out-of-pocket expenses.
- ii. As noted in Section 5, it is expected that if the selected Auditor performs satisfactorily for the June 30, 2013 audit, it could be engaged to perform the audit for the succeeding four years. Therefore, the not-to-exceed fee information requested above should be provided on an annual basis for five years.

h. *Other Services*

- i. Lindon City may consider an auditing of the City's internal accounting and administrative controls. Please include a plan and tentative schedule as well as pricing and how long the pricing is good for.
- ii. Please identify any other services that you would consider as optional or additional services beyond those provided for your standard fee.
- iii. Include an hourly rate for extra work assigned.

- i. *Non-Discrimination Clause* - Affirm that the Auditor does not discriminate against any individual because of race, religion, sex, color, age, handicap, or national origin, and that these shall not be a factor in consideration for employment, selection of training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.
- j. *Indemnity Provision* - Auditor agrees to defend, indemnify, and hold harmless Lindon City, its officials, employees, representatives, and volunteers from and against any and all claims, demands defense costs, liability, or consequential damages of any kind or nature arising from Auditor's negligent or wrongful conduct or from their duties as Lindon City's Auditor, and from its performance or failure to perform, under the terms of this agreement.
- k. *Additional Information* - Since data not specifically requested must not be included in the foregoing proposal sections, give any additional information considered essential to the proposal in this section. If there is no additional information to present, state in this section, "There is no additional information."

## 7. SUBMISSION OF PROPOSALS

Proposals must be submitted to Kristen Colson, Finance Director by **Friday, May 17, 2013, 4:00 p.m. MDT**. Proposals must be emailed in pdf format to [kcolson@lindoncity.org](mailto:kcolson@lindoncity.org).

## 8. CONTRACTUAL ARRANGEMENTS

Audit programs, work papers, and reports must be retained in accordance with the Utah Municipal General Records Retention Schedule and made available for inspection by the City or government auditors if requested.

All billings and payments will be made as incurred, on a monthly basis, less twenty (20) percent which will be retained until the audit reports required in Section 4 are received.

City staff will be available to prepare schedules, trial balances, and provide documentation to assist the Auditor as their schedules permit during the course of the audit.

The City may use the Auditor's opinion and audited financial statements when issuing bonds, tax anticipation notes, bond anticipation notes, or any other financing mechanisms.

The contract will be awarded for a one year term with the potential of four one-year renewals, subject to an annual evaluation by the City's Budget / Audit Committee and Lindon City Council appropriation. The City will provide an intent of renewal within 60 days of the completion of the audit.

## 9. EVALUATION OF PROPOSALS

Proposals will be evaluated by the City's Budget / Audit Committee using a predetermined method to ascertain which proposer best meets the needs of Lindon City. Evaluation considerations will include the following:

a. *Technical Factors*

- i. Responsiveness of the proposal in clearly stating an understanding of the audit services to be performed:
    - (1) Appropriateness and adequacy of proposed procedures.
    - (2) Reasonableness of time estimates and total audit hours.
    - (3) Appropriateness of assigned staff levels.
  - ii. Technical experience of the Auditor in auditing local governments of similar size.
  - iii. Technical experience of the Auditor assisting in efforts to obtain the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.
  - iv. Qualifications of staff.
  - v. Size and structure of Auditor, considering the scope of the audit.
  - vi. Geographic location of key personnel and responsible office.
  - vii. Comments from references.
- b. *Audit Cost* - Although a significant factor, cost may not be the deciding factor. Cost is particularly important when all other evaluation criteria are relatively equal.
- c. *Right to Reject* - Lindon City reserves the right to reject any and all proposals submitted and to request additional information from all proposers. If, in the opinion of the City, a proposal contains false or misleading statements or references, it may be rejected.

## 10. AWARD OF CONTRACT

Any contract awarded will be made to the Auditor who, based on evaluation of all responses, applying all criteria and oral interviews, is determined to be the best to perform the audit. Lindon City intends to make a preliminary selection in June 2013. The City will issue a letter of intent and complete contract negotiations with the successful proposer. A contract must be completed and signed by all parties concerned within three weeks from proposer selection. If this date is not met, and if the delay is not the fault of the City, the City may elect to cancel the letter of intent and award the selection to the next most qualified and responsive proposer.

## 11. SOURCES OF INFORMATION

The audit coordinator will be Kristen Colson, Finance Director.

Address: 100 N State St., Lindon, UT 84042

Telephone: (801) 785-5043

Email: [kcolson@lindoncity.org](mailto:kcolson@lindoncity.org)

Questions concerning the scope of work, as well as questions regarding clarification of the meaning or intent of these specifications, may be directed to Ms. Colson.

Audit reports and management letters from prior years will be available for inspection. The City's Comprehensive Annual Financial Reports and annual budgets are available on the City's website at [www.lindoncity.org](http://www.lindoncity.org). Information is also available at the Office of the Utah State Auditor's website at [www.sao.state.ut.us](http://www.sao.state.ut.us).