



"Think Inside the Triangle"

**CITY OF TRACY**

**REQUEST FOR PROPOSAL**

**PROFESSIONAL AUDITING SERVICES**

Proposal Release Date  
May 01, 2015

**Response Due Date & Time**

**TUESDAY, May 19, 2015**  
**5:00 p.m. (PDT)**

**SUBMIT RESPONSES TO:**  
**Robert Harmon, CPA**  
**Senior Accountant**  
**City of Tracy**  
**333 Civic Center Plaza**  
**Tracy, CA 95376**

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I. INTRODUCTION

A. General Information

The City of Tracy is requesting proposals from qualified certified public accounting firms to audit its financial statements for three fiscal years beginning with the fiscal year ending June 30, 2015, 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 Tracy 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, three (3) copies of a proposal must be received by Robert Harmon, Senior Accountant, at 333 Civic Center Plaza, Tracy, CA 95376, by 5:00 P.M. on May 19, 2015. The City reserves the right to reject any or all proposals submitted.

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

It is anticipated the selection of a firm will be completed by May 29, 2015. Following the notification of the selected firm, a recommendation and proposed contract will be prepared for review and approval by the City Council. 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 with the option of extending the contract for three (3) subsequent fiscal years. The proposal package shall present all inclusive audit fees for each year of the initial contract term, and for each renewal term.

II. NATURE OF SERVICES REQUIRED

A. Scope of the Work to be Performed

The City of Tracy desires a Comprehensive Annual Financial Report (CAFR) and its component unit financial statements for the City of Tracy 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 annually for the past 26 years. The City further desires that the selected firm to prepare the annual Cities Financial Transaction report and submits the report to the State Controller's Office.

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 Tracy. 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 and required supplementary information pertaining to the General Fund and each major fund of the City.
2. The audit firm will perform, if required, 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 an 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 issue a separate "management letter" for each audit 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 Council.
4. The audit firm will substantially prepare and word-process the CAFR. City staff will assist with preparation of statistical information, where appropriate. The City will be responsible for the final printing, binding and publication of the CAFR.
5. The audit form will prepare and submit the California State Controller's Cities Financial Transactions Report.

6. Optional Services: The City desires, but may not utilize the following optional services:
- a. Assist with Closing Journal Entries, Audit Adjustments and closing of the City's books.
  - b. Preparing all Lead Schedules

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 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 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. 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 Tracy of the need to extend the retention period. The auditor will be required to make working papers available to the City of Tracy 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 Administrative Services Director.

III. DESCRIPTION OF THE GOVERNMENT

A. Background Information

The City of Tracy is located in California's Central Valley and is an important suburb of the San Francisco Bay area region. It has a population of approximately 85,000 and is a full-service city providing a variety of services (including community development, police, fire, public works,

engineering, water, wastewater, transit, parks and recreation and general government activities). The City has approximately 450 full and part-time employees. The City has a total annual operating budget of approximately \$131 million (\$58 million General Fund).

The City is a general law city, incorporated in 1910. The City operates under a council/manager form of government. The City Council is comprised of five members elected at large by the citizens of Tracy to serve for four-year overlapping terms, except for the Mayor. The Mayor is directly elected by the citizens of Tracy for a two-year term. Annually, the City Council reorganizes, selecting a Councilmember to serve as Mayor pro-tem. The City Council appoints the City Manager and the City Attorney. Public services are provided through the City and through contractual agreements with various private firms.

The City had a Redevelopment Agency with one project area, which was dissolved pursuant to state law on February 1, 2012. The City serves as the Successor Agency for the former Redevelopment Agency and elected to take over the housing functions of the Agency.

The City of Tracy's operating budget in FY 2014-15 is approximately \$131 million for all funds combined and includes \$58 million for the General Fund, \$27 million for debt service, and an additional \$74 million in capital projects budgets. The City's fiscal year begins on July 1 and ends on June 30. The City provides the following services to its citizens:

Highways and Streets	Police
Public Improvements	Fire
Planning and Zoning	Water and Sewer
Recreation and Parks	General Administrative Support

#### B. Fund Structure

The City of Tracy currently uses the following fund types in its financial reporting. Several of the funds shown in the CAFR are a combination of multiple City funds. 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.

Number of Individual Funds by Type (per CAFR)	
Government Funds:	
General Funds	1
Special Revenue Funds	13
Debt Service Funds	4
Capital Project Funds	<u>13</u>
Total Government Funds	31
Business Type Funds:	
Enterprise Funds	6
Internal Service Funds	<u>5</u>
Total Business Type Funds	11
Fiduciary & Agency Funds:	
Private-purpose Trust Funds	3
Agency Funds	<u>21</u>
Total Business Type Funds	<u>24</u>
Total Funds	<u>66</u>

C. Federal and State Financial Assistance

During the initial fiscal year to be audited (2014-15), the City received the following financial assistance:

- Department of Housing and Urban Development:
  - Community Development Block Grant
- U.S. Department of Justice
- U.S. Department of Agriculture:
  - Forrest Service
- U.S. Department of Transportation:
  - Federal Transit Administration
  - Federal Aviation Administration
  - Transportation Efficiency Act-Highway Planning and Construction

Other forms of Federal or State financial assistance may be added to the list before the fiscal year ends.

D. Pension Plans

The City participates in the State of California Public Employees' Retirement System (PERS), a multiple-employer retirement system. The City also participates in deferred compensation plans managed by third parties.

E. Magnitude of Finance Operations

The Finance Division is a part of the Administrative Services Department (ASD) which includes Human Resources and Information Technology. The ASD Director position is currently vacant and a recruitment is underway. The Finance Division is comprised of 15 employees. The principal functions performed are accounting, accounts payable, accounts receivable & general billing, payroll, utility billing, business licenses, cash management, investments, budgeting, and financial reporting. The division is also collects utility, business license and building permit payments. The elected City Treasurer is responsible for all investment activity and utilizes third-party investment managers.

F. Computer Systems

The City is currently undergoing a major restructuring in its financial and ancillary support systems. The current financial, payroll and budgeting system is being phased out beginning in fiscal year 2015-16 with the general ledger and budget systems expected to come on-line beginning July 1, 2015. Future phases will include payroll and human resources (in-progress), business license, planning, permitting and land development (in-progress) and utility billing, work orders and inventory (starting in FY 2015-16). During the current fiscal year, the City replaced its Parks & Recreation software.

The current financial System is web-based and runs on a Local Area Network (LAN). The accounting, budget, fixed asset and payroll functions use Harris GEMS software on a Microsoft Sequel Server database platform. The applications operating on this system are general ledger, accounts payable, accounts receivable/general billing, payroll, business license, human resources and cashiering. Fixed assets are maintained in Excel. In addition, Human Resources use additional ancillary systems for applicant tracking, employee tracking and benefit administration. GEMS has been used by the City for five years. The City uses the Harris Northstar Utility Billing system for water, sewer and refuse collection billing. Refuse collection is provided by a private company but billed by the City under a contractual arrangement. Parks & Recreation converted to ActiveNet software from Class in December 2014. Either ActiveNet or Class are integrated into the City's financial system. In addition, the City uses Seat Advisor software for theater seat bookings.

G. Availability of Prior Reports and Work Papers

Moss, Levy & Hartzheim, LLP, conducted the City's most recent audit. The work papers of the previous audits are the property of the previous auditor. The Fiscal Year 2013-14 work papers can be reviewed by the successful Proposer. The City of Tracy Comprehensive Annual Financial Reports prepared and audited by Moss, Levy & Hartzheim, LLP are available for review on the City's website at <http://www.ci.Tracy.ca.us>.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates including the due date for proposals to be submitted:

<u>Date</u>	<u>Activity</u>
May 1, 2015	Request for proposal issued
May 19, 2015	Due date for proposals (due by 5:00 p.m.)
May 20-27, 2015	Oral Interviews (conducted at City's discretion)
May 29, 2015	Firm selected
June 16, 2015	City Council Approval

B. Date Audit May Commence

Subsequent to the first year, 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 to commence the first week of September of each year.

C. Date Reports Are Due

The auditor shall provide all drafts and recommendations for improvements to the Finance Manager 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. Included in the contract price, is attendance by the auditor at up to three (3) public meetings to present and discuss its findings and recommendations. Once all issues of discussion are resolved, the completed CAFR, Single Audit report, and other reports shall be delivered to the Senior Accountant. This process will be completed and the final products be delivered by November 30 of each year.

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

A. Finance Division Assistance

Finance Division 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 access, a computer with access to the general ledger system and payroll systems, and photocopying, printing and scanning machines.

C. Report Preparation

Report preparation shall be the responsibility of the auditor, with the final product delivered in a searchable Adobe Acrobat format.

1. Comprehensive Annual Financial Report (CAFR)
2. Agreed-Upon Procedures Applied to Appropriations Limit Schedule
3. State Controller's Cities Financial Transactions Report
4. Single Audit Report
5. Management Letter
6. Lead Schedules (Optional)
7. Adjusting & Closing Journal Entries

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:

Robert Harmon, CPA  
Senior Accountant  
333 Civic Center Plaza  
Tracy, CA 95376  
(209) 831-6800  
[robert.harmon@ci.Tracy.ca.us](mailto:robert.harmon@ci.Tracy.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 Tracy by 5:00 p.m. on May 19, 2015 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 Tracy  
Finance Division  
333 Civic Center Plaza  
Tracy, CA 95376

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, title, address, and telephone number of the person(s) authorized to represent the Proposer.
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 should be included verifying the firm and all assigned key professional staff are properly licensed to practice in California.

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Tracy 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 accountant in California. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) 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 engagements (maximum 5) performed in the last three (3) years that are similar to the 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 GFOA award.

Please provide a list of not less than five client references for who 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 the City of Tracy 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;
- d. Type and extent of analytical procedures to be used in this engagement;
- e. Approach to be taken to gain and document an understanding of the City's internal control structure;
- f. Approach to be taken in determining laws and regulations that will be subject to audit test work; and
- g. Approach to be taken in drawing audit samples for purposes of tests of compliance.

7. Identification of 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.

The cost proposal should be submitted in the format provided in Attachment A, "AUDIT WORK COST PROPOSAL FORM" and Attachment B, "ESTIMATE OF COST."

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. REQUIREMENTS OF FIRM

A. Insurance

If selected to provide the services described in this RFP, the Firm shall be required to comply with the insurance requirements set forth below:

1. General

Firm shall, throughout the duration of this Agreement, maintain insurance to cover Firm, its agents, representatives, and employees in connection with the performance of services under this Agreement at the minimum levels set forth here.

2. Commercial General Liability

Commercial General Liability (with coverage at least as broad as ISO form CG 00 01 01 96) "per occurrence" coverage shall be maintained in an amount not less than \$2,000,000 general

aggregate and \$1,000,000 per occurrence for general liability, bodily injury, personal injury, and property damage.

3. Automobile Liability

Automobile Liability (with coverage at least as broad as ISO form CA 00 01 07 97, for “any auto”) “claims made” coverage shall be maintained in an amount not less than \$1,000,000 per accident for bodily injury and property damage.

4. Workers’ Compensation

Workers’ Compensation coverage shall be maintained as required by the State of California.

5. Professional Liability

Professional Liability “claims made” coverage shall be maintained to cover damages that may be the result of errors, omissions, or negligent acts of Firm in an amount not less than \$1,000,000 per claim.

6. Endorsements

Firm shall obtain endorsements to the automobile and commercial general liability with the following provisions:

- a. The City (including its elected officials, officers, employees, agents, and volunteers) shall be named as an additional “insured.”
- b. For any claims related to this Agreement, Firm’s coverage shall be primary insurance with respect to the City. Any insurance maintained by the City shall be excess of the Firm’s insurance and shall not contribute with it.

7. Notice of Cancellation.

Firm shall notify the City if the policy is canceled before the expiration date. For the purpose of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation. Firm shall immediately obtain a replacement policy.

8. Authorized Insurers.

All insurance companies providing coverage to Firm shall be insurance organizations authorized by the Insurance Commissioner of the State of California to transact the business of insurance in the State of California.

9. Insurance Certificate.

Firm shall provide evidence of compliance with the insurance requirements listed above by

providing a certificate of insurance, in a form satisfactory to the City, no later than five days after the execution of this Agreement.

10. Substitute Certificates.

No later than 30 days prior to the policy expiration date of any insurance policy required by this Agreement, Firm shall provide a substitute certificate of insurance.

11. Firm's Obligation

Maintenance of insurance by the Firm as specified in this Agreement shall in no way be interpreted as relieving the Firm of any responsibility whatsoever (including indemnity obligations under this Agreement), and the Firm may carry, at its own expense, such additional insurance as it deems necessary.

B. Business License

If selected to provide the services described in this RFP, throughout the duration of the contract, the Firm shall be required to hold a valid and current City of Tracy Business License.

C. Contract Form and Execution of Contract

The successful proposer will be required to enter into the City's Standard Agreement for Contract Services. Firm's proposal, in its final form, will be incorporated in the Agreement as the Scope of Work. Carefully review this contract document, and note in your proposal any and all exceptions or alterations to the contract that you are requesting. Requested alterations or changes to the contract not included in the proposal will not be considered after the selection of the Firm. This includes alterations, exceptions, or changes to the insurance and indemnity provisions. By requiring these requests to be made up front, the City can compare all respondents on an equal basis and take contract exceptions into consideration in the selection process.

The contract shall be signed by a principal of the selected Firm and returned, together with insurance policies, bonds, and certificates of insurance, within ten (10) business days, after the Notice of Award of Contract has been mailed. Failure to execute the contract and provide certificates of insurance, copies of license forms as required within ten (10) calendar days after the Notice of Award of the Contract has been mailed, shall be just cause for annulment of the Award.

VIII. EVALUATION PROCEDURES

A. Review of Proposals

City Staff, consisting at a minimum, of the following, will evaluate submitted proposals:

Senior Accountant  
Administrative Services Director (or interim)  
Budget Officer

#### B. Evaluation Criteria

Proposals will be evaluated using three (3) sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria, which will be considered during the evaluation process.

##### 1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in California.
- b. The firm has no conflict of interest with regard to any of the work performed by the firm for the City.
- c. The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.
- d. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.
- e. The firm's past experience and performance on comparable government engagements.
- f. 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.
- g. Adequacy of proposed staffing plan for various segments of the engagement.
- h. Thoroughness of approach to conducting the audit of the City and demonstration of the understanding of the objectives and scope of the audit.
- i. Commitment to timeliness in the conduct of the audit.
- j. Maximum fees to conduct the audit.

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Attachment A

AUDIT WORK COST PROPOSAL FORM

Name of Firm: \_\_\_\_\_  
 Office Address: \_\_\_\_\_  
 Contact Name: \_\_\_\_\_  
 Contact Phone: \_\_\_\_\_ Fax #: \_\_\_\_\_  
 Contact Email: \_\_\_\_\_

REQUIRED SERVICES			
Service	2014/15	2015/16	2016/17
City Audit Report w/Management Letter	\$	\$	\$
Single Audit and related reports (if required)	\$	\$	\$
Preparation CAFR	\$	\$	\$
Preparation of Cities Financial Transactions Report	\$	\$	\$
Agreed-Upon Procedures Applied to Appropriations Limit Schedule	\$	\$	\$
Total for Fiscal Year (not to exceed)	\$	\$	\$

OPTIONAL SERVICES (If included in above, so state)			
Service	2014/15	2015/16	2016/17
Preparation of all Lead Schedules	\$	\$	\$
Preparation of Adjusting & Closing Entries	\$	\$	\$
Other Recommended Services: _____ _____ _____	\$	\$	\$

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Attachment B

ESTIMATE OF COST

Name of Firm: \_\_\_\_\_

Office Address: \_\_\_\_\_

Contact Name: \_\_\_\_\_

Contact Phone: \_\_\_\_\_ Fax #: \_\_\_\_\_

Contact Email: \_\_\_\_\_

1. Auditor's Standard Billing Rates

Auditors Standard Hourly Billing Rates			
POSITION	2014/15	2015/16	2016/17
Partner	\$	\$	\$
Manager	\$	\$	\$
Senior Accountant	\$	\$	\$
Staff Accountant	\$	\$	\$
Clerical	\$	\$	\$
Other	\$	\$	\$

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Attachment C

SAMPLE CITY PROFESSIONAL SERVICES CONTRACT

City OF TRACY  
PROFESSIONAL SERVICES AGREEMENT  
[\*\*\*INSERT #1\*\*\*]

This Professional Services Agreement (“Agreement”) is entered into between the City of Tracy, a municipal corporation (“City”), and [\*\*\*INSERT #5\*\*\*] (“Consultant”).

RECITALS

- A. [\*\*\*INSERT #6\*\*\*]
- B. [\*\*\*INSERT #7\*\*\*]
- C. [\*\*\*INSERT #8\*\*\*]

NOW THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. SCOPE OF SERVICES. Consultant shall perform the services described in Exhibit “A” attached and incorporated by reference. The services shall be performed by, or under the direct supervision of, Consultant’s Authorized Representative: [\*\*\*INSERT #9\*\*\*]. Consultant shall not replace its Authorized Representative, nor shall Consultant replace any of the personnel listed in Exhibit “A,” nor shall Consultant use any subcontractors or subconsultants, without City’s prior written consent.
2. TIME OF PERFORMANCE. Time is of the essence in the performance of services under this Agreement and the timing requirements set forth shall be strictly adhered to unless otherwise modified in writing in accordance with this Agreement. Consultant shall begin performance, and shall complete all required services no later than the dates set forth in Exhibit “A.” Any services for which times for performance are not specified in this Agreement shall be started and completed by Consultant in a reasonably prompt and timely manner based upon the circumstances and direction communicated to the Consultant. Consultant shall submit all requests for extensions of time to the City in writing no later than ten days after the start of the condition which purportedly caused the delay, and not later than the date on which performance is due. City shall grant or deny such requests at its sole discretion.
3. INDEPENDENT CONTRACTOR STATUS. Consultant is an independent contractor and is solely responsible for all acts of its employees, agents, or subconsultants, including any negligent acts or omissions. Consultant is not City’s employee and Consultant shall have no authority, express or implied, to act on behalf of the City as an agent, or to bind the City to any obligation, unless the City provides prior written authorization to Consultant. Consultant is free to work for other entities while under contract with the City. Consultant is not entitled to City benefits.
4. CONFLICTS OF INTEREST. Consultant (including its employees, agents, and subconsultants) shall

not maintain or acquire any direct or indirect interest that conflicts with the performance of this Agreement. If Consultant maintains or acquires such a conflicting interest, the City may terminate any contract (including this Agreement) involving Consultant's conflicting interest.

5. COMPENSATION.

5.1 General. For services performed by Consultant under this Agreement, City shall pay Consultant on a time and expense basis, at the billing rates set forth in Exhibit "B," attached and incorporated by reference. Consultant's fee for this Agreement is Not to Exceed \$[\*\*\*INSERT #10\*\*\*]. Consultant's billing rates shall cover all costs and expenses for Consultant's performance of this Agreement. No work shall be performed by Consultant in excess of the Not to Exceed amount without the City's prior written approval.

5.2 Invoices. Consultant shall submit monthly invoices to the City describing the services performed, including times, dates, and names of persons performing the service.

5.3 Payment. Within 30 days after the City's receipt of invoice, City shall make payment to the Consultant based upon the services described on the invoice and approved by the City.

6. TERMINATION. The City may terminate this Agreement by giving ten days written notice to Consultant. Upon termination, Consultant shall give the City all original documents, including preliminary drafts and supporting documents, prepared by Consultant for this Agreement. The City shall pay Consultant for all services satisfactorily performed in accordance with this Agreement, up to the date notice is given.

7. OWNERSHIP OF WORK. All original documents prepared by Consultant for this Agreement, whether complete or in progress, are the property of the City, and shall be given to the City at the completion of Consultant's services, or upon demand from the City. No such documents shall be revealed or made available by Consultant to any third party without the City's prior written consent.

8. INDEMNIFICATION. Consultant shall, to the fullest extent permitted by law, indemnify, defend (with independent counsel approved by the City), and hold harmless the City from and against any claims arising out of Consultant's performance or failure to comply with obligations under this Agreement, except to the extent caused by the sole, active negligence or willful misconduct of the City.

In this section, "City" means the City, its officials, officers, agents, employees and volunteers; "Consultant" means the Consultant, its employees, agents and subcontractors; "Claims" includes claims, demands, actions, losses, damages, injuries, and liability, direct or indirect (including any and all related costs and expenses in connection therein) and any allegations of these; and "Arising out of" includes "pertaining to" and "relating to".

(The duty of a "design professional" to indemnify and defend the City is limited to claims that arise out of, pertain to, or relate to the negligence, recklessness or willful misconduct of the design professional, under Civ. Code § 2782.8.)

The provisions of this section survive completion of the services or the termination of this contract, and are not limited by the provisions of Section 10 relating to insurance.

9. BUSINESS LICENSE. Before beginning work under this Agreement, Consultant shall obtain a City of Tracy Business License.

10. INSURANCE.

10.1 General. Consultant shall, throughout the duration of this Agreement, maintain insurance to cover Consultant, its agents, representatives, and employees in connection with the performance of services under this Agreement at the minimum levels set forth here.

10.2 Commercial General Liability (with coverage at least as broad as ISO form CG 00 01 01 96) "per occurrence" coverage shall be maintained in an amount not less than \$2,000,000 general aggregate and \$1,000,000 per occurrence for general liability, bodily injury, personal injury, and property damage.

10.3 Automobile Liability (with coverage at least as broad as ISO form CA 00 01 07 97, for "any auto") "claims made" coverage shall be maintained in an amount not less than \$1,000,000 per accident for bodily injury and property damage.

10.4 Workers' Compensation coverage shall be maintained as required by the State of California.

10.5 Professional Liability "claims made" coverage shall be maintained to cover damages that may be the result of errors, omissions, or negligent acts of Consultant in an amount not less than \$1,000,000 per claim.

10.6 Endorsements. Consultant shall obtain endorsements to the automobile and commercial general liability with the following provisions:

10.6.1 The City (including its elected officials, officers, employees, agents, and volunteers) shall be named as an additional "insured."

10.6.2 For any claims related to this Agreement, Consultant's coverage shall be primary insurance with respect to the City. Any insurance maintained by the City shall be excess of the Consultant's insurance and shall not contribute with it.

10.7 Notice of Cancellation. Consultant shall notify the City if the policy is canceled before the expiration date. For the purpose of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation. Consultant shall immediately obtain a replacement policy.

10.8 Authorized Insurers. All insurance companies providing coverage to Consultant shall be insurance organizations authorized by the Insurance Commissioner of the State of California to transact the business of insurance in the State of California.

10.9 Insurance Certificate. Consultant shall provide evidence of compliance with the insurance requirements listed above by providing a certificate of insurance, in a form satisfactory to the City, no later than five days after the execution of this Agreement.

10.10 Substitute Certificates. No later than 30 days prior to the policy expiration date of any insurance policy required by this Agreement, Consultant shall provide a substitute certificate of insurance.

10.11 Consultant's Obligation. Maintenance of insurance by the Consultant as specified in this Agreement shall in no way be interpreted as relieving the Consultant of any responsibility whatsoever (including indemnity obligations under this Agreement), and the Consultant may carry, at its own expense, such additional insurance as it deems necessary.

11. ASSIGNMENT AND DELEGATION. This Agreement and any portion of it shall not be assigned or transferred, nor shall any of the Consultant's duties be delegated, without the City's written consent. Any attempt to assign or delegate this Agreement without the City's written consent shall be void and of no effect. City's consent to one assignment shall not be deemed to be a consent to any subsequent

assignment.

12. MISCELLANEOUS.

12.1 Notices. All notices, demands, or other communications which this Agreement contemplates or authorizes shall be in writing and shall be personally delivered or mailed to the other party as follows:

To City: \_\_\_\_\_ To Consultant: \_\_\_\_\_  
[\*\*\*INSERT #11\*\*\*information for both City and Consultant]

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

With a copy to:  
City Attorney  
333 Civic Center Plaza  
Tracy, CA 95376

Communications shall be deemed to have been given and received on the first to occur of: (1) actual receipt at the address designated above, or (2) three working days after the deposit in the United States Mail of registered or certified mail, sent to the address designated above.

12.2 Modifications. This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by both parties.

12.3 Waivers. Waiver of a breach or default under this Agreement shall not constitute a continuing waiver or a waiver of a subsequent breach of the same or any other provision of this Agreement.

12.4 Severability. If a term of this Agreement is held invalid by a court of competent jurisdiction, the Agreement shall be construed as not containing that term, and the remainder of this Agreement shall remain in effect.

12.5 Jurisdiction and Venue. The interpretation, validity, and enforcement of the Agreement shall be governed by and construed under the laws of the State of California. Any suit, claim, or legal proceeding of any kind related to this Agreement shall be filed and heard in a court of competent jurisdiction in the County of San Joaquin.

12.6 Entire Agreement. This Agreement comprises the entire integrated understanding between the parties concerning the services to be performed. This Agreement supersedes all prior negotiations, representations or agreements.

12.7 Compliance with the Law. Consultant shall comply with all local, state, and federal laws, whether or not those laws are expressly stated in this Agreement.

City of Tracy  
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12.8 Standard of Care. Unless otherwise specified in this Agreement, the standard of care applicable to Consultant's services will be the degree of skill and diligence ordinarily used by reputable professionals performing in the same or similar time and locality, and under the same or similar circumstances.

12.9 Corporate Status. Contractor is responsible for filing all required documents and/or forms with the California Secretary of State and meeting all requirements of the Franchise Tax Board, to the extent such requirements apply to Contractor. By entering into this Agreement, Contractor represents that it is not a suspended corporation. If Contractor is a suspended corporation at the time it enters into this Contract, City may take steps to have this Agreement declared voidable.

13. SIGNATURES. The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the Consultant and the City. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

The parties agree to the full performance of the terms set forth here.

City of Tracy

Consultant  
[\*\*\*INSERT #5\*\*\*]

By: [\*\*\*INSERT #12\*\*\*] \_\_\_\_\_  
Title: [\*\*\*INSERT #13\*\*\*]  
Date: \_\_\_\_\_

By: [\*\*\*INSERT #14\*\*\*] \_\_\_\_\_  
Title: [\*\*\*INSERT #15\*\*\*]  
Date: \_\_\_\_\_  
Fed. Employer ID No. \_\_\_\_\_

Attest:

By: Nora Pimentel  
Title: City Clerk  
Date: \_\_\_\_\_

[Note: Depending on type of entity  
more than one signature may be  
required]

Approved As To Form:

By: Daniel G. Sodergren  
Title: City Attorney  
Date: \_\_\_\_\_

Exhibits:

- A Scope of Services, including personnel and time of performance (See Agreement sections 1 and 2.)
- B Compensation (See Agreement section 5.)

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Attachment D

SUPPLEMENTAL INFORMATION

1. How long has the incumbent firm been the auditor for the City?
  - a. *Moss, Levy & Hartzheim, LLP have been the City's auditors since 2004 (FY 2003/04)*
  
2. Is the incumbent firm invited to bid?
  - a. *No. The City Council desires an auditor rotation.*
  
3. What were the audit fees for 2014?
  - a. *\$70,378*
  
4. What were the number of staff and duration of fieldwork for interim and final fieldwork?
  - a. 

<u>On-site fieldwork</u>	<u>Staff on-site</u>	<u>Days on-site</u>
<i>Interim</i>	<i>4</i>	<i>4</i>
<i>Final</i>	<i>4</i>	<i>4</i>
<i>Single Audit</i>	<i>2</i>	<i>2</i>
  
5. Were there any post-close auditor proposed journal entries?
  - a. *Yes, mostly adjustments related to implementation of GASB 65, Recognition of Deferred Outflows.*
  
6. Has there been any turnover in financial management or staff?
  - a. *During this fiscal year, the City has experienced some turn-over in the top leadership including a new City Manager and vacancies in the Assistant City Manager and Administrative Services Director. However, other than those, the Finance Division has had no significant turn-over of staff.*
  
7. Does the city anticipate a Single Audit for 2015?
  - a. *Yes.*

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