



## Town of Atherton

### **FINANCE COMMITTEE – REGULAR AGENDA**

**TO:           ATHERTON FINANCE COMMITTEE  
              GEORGE RODERICKS, CITY MANAGER**

**FROM:       ROBERT BARRON III, FINANCE DIRECTOR**

**DATE:       SEPTEMBER 11, 2013**

**SUBJECT:   REVIEW AND DISCUSS REQUEST FOR PROPOSAL FOR  
              PROFESSIONAL AUDITING SERVICES**

#### **RECOMMENDATION**

Review and discuss the attached Request for Proposal (RFP) for Professional Auditing Services and make recommendations to the proposal for City Council consideration.

#### **BACKGROUND**

The Town is in its final year for Professional Auditing Services. The current Town Auditor is Maze & Associates. The Auditor is currently working on the 2012-2013 FY Audit.

It is a best management practice to enter into a multi-year agreement for auditing services; however, it is also a best practice to re-solicit for those services every 3-5 years. Since the Town has reached its final year of the service agreement, it is recommended that the Town solicit for auditing services.

#### **FINDINGS**

Staff recommends that the Town solicit proposals from qualified certified public accounting firms to audit the Town's financial statements for three (3) years, starting with fiscal year ending June 30, 2014, with two (2) options to extend the term for an additional period of one (1) year each. The current auditing firm will be invited to participate in the RFP process. Staff has developed the attached RFP for your review. The attached RFP meets the auditing requirements for both the Town and State.

At this time the Finance Committee should review the attached RFP and provide a recommendation to the City Council with respect to its issuance. The timelines established in the RFP are estimated dates. These dates may be modified prior to final issuance.

Once the RFP is approved it will be posted on the Town's website and forwarded to interested firms. If members of the Finance Committee know of specific firms that should receive a copy of the RFP, please provide their contact information to staff. At this time, staff is aware of one such request - Vavrinek, Trine, Day & Co., LLP.

### **RECOMMENDATION**

*Review and discuss the attached Request for Proposal (RFP) for Professional Auditing Services and make recommendations to the proposal for City Council consideration.*

### **FISCAL IMPACT**

During the FY 13-14 budget, staff estimated a budget for auditing services. Once responses to the RFP are received, staff will reconcile the cost against budgeted amount.

Prepared by:

Approved by:

---

Robert Barron III, Finance Director

---

George Rodericks, City Manager

### **ATTACHMENT(S)**

Request for Proposal for Professional Auditing Services



# Request for Proposal

## Professional Auditing Services

Date Issued: December 1, 2013

Date Due: January 13, 2014



**TOWN OF ATHERTON, CALIFORNIA**  
**REQUEST FOR PROPOSAL AUDITING SERVICES**

Table of Contents

**Table of Contents**

- I. Introduction**
  - A. General Information .....3
- II. Nature of Services Required**
  - A. Scope of Work to be Performed..... 3-4
  - B. Reports to be Issued.....4
  - C. Working Paper Retention and Access to Working Papers.....4
- III. Description of Government**
  - A. Background Information.....5
  - B. Availability of Prior Reports and Papers ..... 5-6
- IV. Time Requirements**
  - A. Proposal and Audit Calendar .....6
  - B. Exit Conferences..... 6
- V. Assistance to be provided to the Auditor**
  - A. Finance Department and Clerical Assistance .....6
  - B. Work Area, Telephone, Photocopying.....6
- VI. Proposal Requirements**
  - A. General Requirements .....7
  - B. Format for Technical Proposal .....7
  - C. Contents of Technical Proposal..... 8-9
  - D. Contents of Cost Proposals..... 9-10
- VII. Evaluation Procedures**
  - A. Selection Committee.....10
  - B. Evaluation Criteria.....10
  - C. Selection of Firm.....11
  - D. Right to Reject Proposals.....11

Attachment A

**I. General Information**

The Town of Atherton is requesting proposals from qualified certified public accounting firms to audit its financial statements for three (3) years, starting with the fiscal year ending June 30, 2014, with two (2) options to extend the term for an additional period of one (1) year each. These audits are to be performed in accordance with generally accepted auditing standards and the standards set for financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the provisions of the Federal Single Audit Act as amended in 1996, and U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations, as well as any other applicable federal, state, local or programmatic audit requirements.*

There is no expressed or implied obligation for the Town 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. Any language purporting to render the entire proposal confidential or proprietary will be ineffective and will be disregarded.

A Selection Committee consisting of City staff will evaluate proposal submitted.

During the evaluation process, the Selection Committee and the Town reserve the right - where it may service the Town of Atherton best interests - to request additional information or clarifications from the proposers. At the discretion of the Selection Committee and the Town, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The Town reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether the proposal was selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Town of Atherton and the firm selected.

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 Town of Atherton's goal is to provide the public and constituents with a financial statement that gives complete, accurate and understandable information about the Town's financial condition. The selected independent auditor will be required to perform the following tasks:

1. Audit of the Basic Financial Statements of the Town of Atherton in conformity with generally accepted accounting principles and issue an opinion thereon.

2. Issuance of an Independent Auditor's Measure A Compliance Report to the San Mateo County Transportation Authority.
3. Provide assistance including all applicable schedules in the implementation of all applicable GASB pronouncements including GASB #34 as it relates to the preparation of the Town's financial statements.
4. Test compliance with Proposition 111, Article XIII.B – Review of Appropriation Limit Calculations.
5. Test compliance with the Single Audit Act as amended in 1996, and the provisions of OMB Circular A-133 and other applicable laws and regulations, if applicable.
6. Prepare the Town's Annual State Controller's Cities Financial Transactions Report.
7. Prepare the Town's Annual State Controller's Special District Financial Transactions Report.
8. Report preparation, editing, printing, and binding shall be the responsibility of the auditor. The auditor shall provide completed drafts for the Town to review prior to issuance.

**A. Reports to be issued**

Following completion of the audit and preparation of the fiscal year's financial statements, the auditor shall issue following reports:

1. An audit opinion on the fair presentation of the Town's Basic Financial Statements in conformity with generally accepted accounting principles and applicable laws and regulations. This opinion should comply with all provisions of GASB 34 including Required Supplemental Information (RSI) as required by GASB 34.
2. An audit opinion on management's assertion that the Town complied with the Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes.
3. A management recommendation letter addressed to the City Council of the Town of Atherton communicating any reportable conditions found during the audit. Observations of opportunities for improvements in economies in operations, internal controls, and effective use of the Town's resources may be included in this letter. The management letter shall also include the status of prior year's reportable conditions. During the first year, the auditors shall follow-up on reportable conditions made in connection with the June 30, 2014 audit.
4. A report of Agreed Upon Procedures on the Town's compliance with Proposition 111, Article XIII.B of the California State Constitution and Government Code 7900 (et seq.) in its calculation of the "GANN Limit"

**B. Working Paper Retention and Access to Working Papers**

All work papers and reports must be retained, at the auditor's expense, for the minimum of three (3) years, unless the firm is notified in writing by the Town of Atherton of the need to extend the retention period. The auditor may be required to make working papers available, upon request, to parties specifically designated by the Town as reasonable.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers.

**III. Description of the Government**

**A. Background Information**

The Town of Atherton is a general law city incorporated under the California law in 1923. The Town serves a population of approximately 7,100 and is located in San Mateo County. The governing body is a five-member City Council composed of the Mayor and four Council members all of whom are elected at-large and serve four-year terms.

The Town provides police, planning, building, public works, and park services. Fire services are provided by the Menlo Fire Protection District. Library is run by the County through the Library Joint Powers Agreement.

The Town operates the Atherton Channel District as a blended component unit. The District is established to assist in the maintenance of areas within the Town determined to be in the flood plain of the local stream.

The Town of Atherton uses the following fund types and account groups in its financial reporting:

*Governmental Fund Types*

- General Fund (1 fund)*
- Special Revenue Funds (9 funds)
- Capital Projects Funds (4 funds)

Proprietary Fund Types

- Internal Service Funds (4 funds)

Fiduciary Fund Types

- Agency Funds (2 funds)

The Town may make additions to and/or deletions from this list and to the component units included in the reporting entity as deemed necessary.

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

The Town’s most recent audit was conducted by Maze & Associates. The work papers of the previous audits are the property of the previous auditor and can be reviewed by the successful proposer.

**IV. Time Requirements**

**A. Proposal and Audit Calendar**

<u>Date</u>	<u>Activity</u>
December 1, 2013	Request for Proposal issued
January 13, 2014	Due date for technical and cost proposals (due by 5:00 p.m.)
February 17, 2014	Selected firm notified
March 10, 2014	Contract awarded
September 22, 2014	Date audit may commence (tentative)
November 24, 2014	Receipt of all required opinions and reports

**B. Exit Conferences**

An exit conference with the Finance Committee/Audit Committee, City Manager, and the Finance Director to summarize the results of fieldwork and to review significant findings is expected on the last day of fieldwork.

**V. Assistance to be provided to the Auditor**

**A. Finance Department and Clerical Assistance**

The Finance Department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. Town staff will prepare reasonably required schedules for the auditor. Finance Director or his/her designee will be responsible for acting as the liaison between the audit firm and the accounting personnel. Consideration must be given to the on-going tasks of the finance department. The auditor shall provide the Town with a detailed audit plan and a list of all schedules to be prepared for both interim and year-end audit work.

**B. Work Area, Telephone, Photocopying**

The Town of Atherton will provide the auditor with a reasonable workspace, access to telephone lines, photocopying facilities.

## VI. Proposal Requirements

### A. General Requirements

Any questions regarding this proposal or additional information required by the respondents should be directed to:

Robert Barron III, Finance Director

Town of Atherton

91 Ashfield Road

Atherton, CA 94027

[rbarron@ci.atherton.ca.us](mailto:rbarron@ci.atherton.ca.us)

(650) 752-0552

- a. Submission of Technical Proposal. An original and seven (7) copies of the Technical Proposal shall be received **by 5:00 p.m. on January 13, 2014**, for a proposal to be considered.
- b. Submission of Cost Proposal. An original and seven (7) copies of the Cost Proposal shall be received **by 5:00 p.m. on January 13, 2014, under separate cover in a sealed envelope** to be considered. The requirements of the cost proposal are described below.

Both the Technical Proposal and the Cost Proposal should be sent to the attention of Finance Director at the address noted above.

### B. Format for Technical Proposal

The format of the Technical Proposal shall be as follows:

1. *Transmittal Letter*

General introduction and briefly stating the proposer understands of the audit services to be performed; a positive commitment to perform the service within the time period specified; the name(s) of the person(s) authorized to represent the proposer, title, address, and telephone number.

2. *Detailed Proposal*

The detailed proposal should follow the format set out 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 firms seeking to undertake an independent audit of the Town of Atherton in conformity with the requirements of this Request for Proposal. As such, the substance of proposals will carry more weight than their 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 Proposal requirements.

**THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.**

The Technical Proposal should address all the points outlined in the RFP (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 the request for proposal. While additional data may be presented, the areas detailed below 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 that 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 Town of Atherton as defined by generally accepted auditing standards/the U.S. General Accounting Office's *Government Auditing Standards*.
3. *Business License*  
The independent auditor selected must possess a Town of Atherton while conducting any work under this contract.
4. *Insurance*  
The selected firm will maintain professional liability, workers' compensation, and automobile insurance limit as required by the Town during the entire term of their engagement.
5. *Firm Qualifications and Experience*
  - a) To qualify the firm must have extensive experience in audits of local governments. 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.
  - b) The proposer is also required to submit a copy of the report on its most recent external quality control (peer) review, with a statement whether that quality control review included a review of specific government engagements.

- c) In addition, the 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.

6. *Partner, Supervisory and Staff Qualifications and Experience*

- a) Identify the principal supervisory and management staff, including engagement partners, managers, and other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in California. Also, 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.
- b) Principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists may be changed during the course of the agreement, however, the Town of Atherton reserves 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.

7. *Similar Engagements with Other Government Entities*

Please provide a list of not less than three client references for whom services similar to those outlined in this RFP are currently being provided. For each reference listed provide the name of the organization, address, and telephone number of the responsible person within the reference's organization.

8. *Identification of Anticipated Potential Audit Problems*

The proposer 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 Town.

9. *Report Format*

The proposer should include sample formats for required reports.

**D. Contents of Cost Proposal**

1. *Total All-Inclusive Maximum Price*

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement and the two State Controller's Reports as described in the request. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The Town of Atherton 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 first page of the sealed dollar cost bid should include the following information: (a) name of firm; (b) certification that the person signing the proposal is authorized to represent the firm, empowered to submit the bid, and authorized to sign a contract with the Town of Atherton; and

(c) a total all-inclusive maximum price for each year of the engagement. See Attachment A for format.

2. *Rates by Partner, Supervisory and Staff*

The cost proposal should include detailed information regarding the estimated number of hours to be dedicated to the Town's engagement, delineated by staffing level and the hourly rate for each.

3. *Rates for Additional Professional Services*

If it should become necessary for the Town to request the auditor to render additional services, then such additional work agreed to between the Town and the firm shall be performed at the same rates set forth in this cost proposal or on a fixed fee arrangement as negotiated in advance of performing such additional services.

4. *Manner of Payment*

Progress payments will be made on the basis of pro-rated audit work completed during the course of the engagement.

**VII. Evaluation Methodology**

**A. Selection Committee**

The Selection Committee will review and arrive at a composite technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

**B. Evaluation Criteria**

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposal 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 the Town of Atherton

c. The firm follows the instructions set forth in the RFP

d. The firm submits a copy of its last external quality (peer) review report and the firm has a record of quality audit work.

2. Technical Qualifications

3. Price

**C. Selection of Firm**

Based on evaluation criteria and reference checks, the Selection Committee will recommend the best qualified firm to the City Council for final award of contract. It is anticipated the selection of a firm will be completed by February 17, 2014. Following the notification of the selected firm, it is expected a contract will be executed between both parties by March 10, 2014.

**D. Right to Reject Proposals**

The Town of Atherton reserves the right to reject any and all proposals submitted and to request additional information from proposers. If the Town cannot successfully negotiate a professional agreement acceptable to both parties, the Town reserves the right to award the contract to any firm determined to be qualified to conduct the audit.



Town of Atherton  
Attachment A  
Cost Proposal Form

Service	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
City Audit			
GANN Limit Review			
Measure A Compliance			
State Controller's Report - Financial			
State Controller's Report - Special District			