



Request for Proposals for Auditing Services

DATE: July 14, 2019
TO: Invited Parties
FROM: Belen Peña, Finance Director
SUBJECT: Request for Proposals for Professional Auditing Services

The City of San Benito, Texas is soliciting proposals from qualified firms of certified public accountants to audit the City's financial statements for the three fiscal years ending September 30, 2019 through 2021, with the option of auditing the City's financial statements for the two subsequent fiscal years, September 30, 2022 and 2023.

There is no expressed or implied obligation for the City of San Benito, Texas to reimburse firms for any expenses incurred in preparing proposals in response to this request.

To be considered, three sealed and bound (3) copies of the proposal must be addressed to:

Belen Peña
Finance Director
485 N. Sam Houston Blvd
San Benito, Texas 78586

During the evaluation process, the City reserves the right to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. Firms may be requested to make oral presentations as part of the final evaluation process.

The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is 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 City and the firm selected.

It is anticipated the selection of a firm will be completed by August 30, 2019. Following the notification of the selected firm it is expected a contract will be executed between both parties following the September 17, 2019 meeting of the City Commission.



II. NATURE OF SERVICES REQUIRED

A. Scope of Work to be Performed

The City desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

The City also desires the auditor to provide an “in-relation-to” opinion on the supplementary information based on the auditing procedures applied during the audit of the basic financial statements. The auditor is not required to audit the introductory, statistical and required supplementary information sections of the report. However, the auditor shall also be responsible for performing certain limited procedures involving the required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards. Also, the auditor is to provide an “in-relation-to” report on the City’s schedule of expenditures of federal awards based on the auditing procedures applied during the audit of the financial statements.

Pursuant to the Single Audit Act Amendments of 1996, the City is required to have an audit performed on the major federal programs of the City. The auditor will be required to test internal controls and report on compliance for major federal award programs administered by the City. It is anticipated the City will require a Single Audit for each of the five years covered by this request.

B. Auditing Standards To Be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits set forth in the General Accounting Officers (GAO) *Government Auditing Standards* (2011 revision), the provisions of the federal Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

C. Reports to be Issued

The auditor shall prepare the following reports at the completion of the audit:

- The Independent auditor’s reports on the basic financial statements.
- Independent auditor’s report on internal controls over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Independent auditor’s report on compliance based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Independent auditor’s report on internal control over compliance for major federal programs in accordance with OMB Circular A-133.
- Independent auditor’s report (opinion) on compliance with requirement applicable to each major federal program in accordance with OMB Circular A-133.
- A summary of auditor’s results and a schedule of findings and questioned costs, if any, required by OMB Circular A-133.



D. Additional Services

In addition to the audit services described above, the City is requesting the following:

- Assistance with the preparation of all required basic financial statements
- Assistance with the preparation of the notes to the financial statements
- Assistance with the preparation of the following additional statements and schedules:
 - Combining and individual fund financial statements
 - Budgetary comparison schedules
- Typing, copying and binding of the comprehensive annual financial report. The firm will provide the City 15 bound copies and one electronic (PDF) version of the annual financial report.
- A letter to management containing appropriate suggestions for improvement of accounting procedures and internal controls for the City's consideration. This letter should contain comments and recommendations for controlling any internal weaknesses discovered and shall be discussed with appropriate personnel before finalizing.
- Assist with the City's response to prior year comments from the Government Finance Officers Association relating to the Certificate of Achievement in Financial Reporting Award Program.
- Assist with the preparation and submission of the reporting package, required by the Single Audit Act Amendments of 1996, to the Federal Single Audit Clearing House. This package includes the annual financial report, the supplementary schedule of expenditures of federal awards, the required auditor's reports, including any current findings and questioned costs, a summary schedule of prior audit findings, and a corrective action plan.
- Assistance with the Management Discussion and Analysis report.

E. Special Considerations

The City will send its comprehensive annual financial report to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will be required to provide assistance to the City to continue to meet the requirements of this program.

III. DESCRIPTION OF THE GOVERNMENT

A. Name and Telephone Number of Contact Person

The audit firm's principal contact with the City will be Belen Peña, Finance Director at 956-361-3804 x222 who will coordinate the assistance to be provided by the City to the auditor.

B. Background Information

The City of San Benito, Texas was incorporated on July 29, 1911 under the provisions of the laws for the State of Texas. The City operates under a City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. Other services include utilities (water, wastewater) and solid waste collection.

The City's governmental-type activities are organized into twenty one (21) departments. The City's business-type activities are organized into eight (8) departments. Most of the accounting and financial reporting functions of the City are centralized. However, certain accounting and grant reporting requirements are performed by accounting staff of the Community Development Block Grant department.



More detailed information on the government and its finances can be found in the City’s 2018 Comprehensive Annual Financial Report at <http://www.cityofsanbenito.com/>

A. Reporting Entity

The reporting entity of the City is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board’s *Codification of Governmental Accounting and Financial Reporting Standards*. Using these criteria, the following component unit is included in the City’s financial statements as discretely presented:

Component Unit Presentation

City of San Benito Economic Development Corporation. At this time it is anticipated that a separate report and opinion will be required for the San Benito Economic Development Corporation as of September 30, 2019 through September 30, 2021 and the optional subsequent two year periods.

B. Fund Structure

The City uses the following fund types in its financial reporting:

<u>Fund Type</u>	<u>September 30, 2019</u>	<u>Annual Budgets</u>
Governmental		
General fund	1	1
Special revenue funds	12	2
Debt service fund	1	1
Capital project funds	6	
Enterprise	3	3
Pension (Fire)	1	

D. Budgetary Basis of Accounting

The City prepares its budgets on a basis consistent with generally accepted accounting principles. The legal level of control is at the department level. The City includes the budgetary comparison presentations for the general and major special revenue funds as required supplementary information.

E. Federal Financial Assistance

The City had grants and federal revenues expended by the City during the fiscal year ended September 30, 2018. More detailed information can be found in the City’s 2018 Comprehensive Annual Financial Report at <http://www.cityofsanbenito.com/>

F. Pension Plans

Pension plan information can be obtained from the City’s 2018 Comprehensive Annual Financial Report.

A separate report and opinion will be required for the Firefighter’s Pension Relief and Retirement Plan as of September 30, 2019 through 2021 and the optional subsequent two year periods.



G. Magnitude of Finance Operations

The City's Finance Department provides the budgetary, accounting, purchasing, collections, accounts receivable, and accounts payable functions. The Department has a staff of six (6) full-time employees.

H. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact Belen Peña at 956-361-3804 x222 or bpena@cityofsanbenito.com. The City will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

IV. TIME REQUIREMENTS

The auditors must be able to meet the following essential dates for the fiscal year audit:

Preliminary audit work completed by November 25, 2019.

Fieldwork completed by January 31, 2020.

Draft reports completed by February 14, 2020.

Final printed and bound reports by February 28, 2020.

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

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. The preparation of confirmations will be the responsibility of the City as directed by the auditor.

In an effort to contain audit costs, the City has historically prepared as many audit worksheets and schedules as is practical to reduce the clerical work to be performed by the independent auditor. The City wishes to continue this practice.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to: Belen Peña, Finance Director, 485 N. Sam Houston Blvd., San Benito, Texas 78586 or bpena@cityofsanbenito.com

2. Submission of Proposals

The following material is required to be received by August 9, 2019 for a proposing firm to be considered:

a. A bound master copy (so marked) of the proposal and 2 bound copies to include the following:

i. Title Page

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.



ii. Table of Contents

iii. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for 90 days.

iv. Detailed Proposal

The detailed proposal should follow the order set forth in Section VI B of this request for proposals.

b. Proposers should send the completed proposals to the following address:

Belen Peña, Finance Director
485 N. Sam Houston Blvd.
San Benito, Texas 78586

B. Audit Proposal

1. General Requirements

The purpose of the proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City in conformity with the requirements of this request for qualification. As such, the substance of proposals will carry more weight than their form or manner of presentation. The 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.

2. Independence

The firm should provide an affirmative statement that it is independent of the City as defined by the generally accepted auditing standards/the U.S. General Accounting Office's *Government Auditing Standards*.

3. License to Practice in Texas

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in Texas.

4. Firm Qualifications and Experience

The proposal 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 on a part-time basis.

The firm will also be required to submit a copy of the report on its most recent external quality control review, including any letter of comments, with a statement whether that quality control review included a review of specific government engagements.



5. 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 the engagement. Indicate whether each such person is registered or licensed to practice as a certified public accountant in Texas. 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.

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. Other audit personnel may be changed at the discretion of the firm provided that replacements have substantially the same or better qualifications or experience.

6. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements performed in the last three years that are similar to this engagement, in particular cities, described in this request for proposal. Also, indicate those municipalities that achieved the Certificate of Achievement for Excellence in Financial Reporting award while your firm was engaged as their auditors. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. Specifically identify those engagements at which the managers and other supervisors who will be assigned to this engagement have worked.

7. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed. Firms will be required to provide the following information on their audit approach:

- a. Proposed timing of the engagement,
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement,
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement,
- d. Extent of use of computer software in the engagement,
- e. Type and extent of analytical procedures to be used in the engagement,
- f. Approach to be taken to gain and document an understanding of the City's internal controls,
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.

8. 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.



C. Dollar Cost

1. Total All-Inclusive Maximum Price

Attachment A must be completed and signed. Attachment A's price should specify all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price is to include 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 proposal. Such costs should not be included in the proposal.

2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The cost schedule should include a schedule of professional fees and expenses broken into the above categories, if appropriate.

3. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement in accordance with the firm's proposal. Interim billings shall cover a period of not less than one calendar month. Interim billings should be separated between the City, Economic Development Corporation and Firemen's Retirement and Relief Fund.

VII. EVALUATION PROCEDURES

A. Selection Committee

Proposals submitted will be evaluated by a member Selection Committee consisting of the City Manager and the Finance Director.

B. Evaluation Criteria

Proposals will be evaluated using three 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 Texas.
- b. The audit firm's professional personnel have received the required continuing professional education in accordance with Government Auditing Standards within the preceding three years.
- c. The audit manager (person responsible for fieldwork and direct communication with Finance staff) must hold a certificate to practice public accounting in the State of Texas.
- d. The firm has no conflict of interest with regard to any other work performed by the firm for the City.
- e. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
- f. The firm submits a copy of its last external quality control review report, including any letter of comments and the firm has a record of quality audit work.



2. Technical Qualifications

- a. The firm exhibits expertise based on past experience and performance on comparable government engagements.
- b. The firm's demonstrated ability to assist its governmental clients in attaining and retaining the GFOA Certificate of Achievement in Financial Reporting.
- c. 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.

3. Price Consideration

Cost will not be the primary factor in the selection of an audit firm.

C. Oral Presentations

During the evaluation process, the Selection Committee may, at its discretion, request up to three firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Selection Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

D. Final Selection

The City Commission will select a firm based upon the recommendation of the Selection Committee. It is anticipated that a firm will be selected by August 30, 2019. Following notification of the firm selected, it is expected a contract will be executed between both parties following the September 17, 2019, Commission meeting.

E. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the firm selected.

The City reserves the right, without prejudice, to reject any or all proposals.



ATTACHMENT A
CITY OF SAN BENITO, TEXAS
AUDITING SERVICES
FEE STRUCTURE

	<u>Fiscal Year</u>				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
CAFR, etc.*	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Single Audit	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Financial Statement Preparation*	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
EDC report	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Fire Pension report	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

*Annual Financial Report, Management Letter, GFOA Certificate Response assistance

FIRM SUBMITTING PROPOSAL:

 Signature of Authorized Representative

 Title

 Name of Authorized Representative

 Date