



## **Request for Proposals Independent Audit Services**

April 26, 2019

The City of Palestine (“City”) is requesting a statement of qualifications and proposal (RFQ/RFP) for audit services (proposals) from qualified and experienced public accounting firms, whose principal officers are independent certified public accountants to obtain independent audit services for performance of the City’s annual financial audits for the fiscal years ending September 30, 2019, 2020 and 2021 with the option of auditing its financial statements for each of the two subsequent fiscal years, 2022 and 2023, based upon satisfactory performance. Audits are to be performed in accordance with generally-accepted auditing standards.

Your proposal shall be governed by the following schedule:

**06/03/2019 5:00 p.m. Central Standard Time (“CST”)  
Deadline for inquiries, questions, or requests for information.  
All questions must be submitted in writing.**

**06/07/2019 3:00 p.m., CST  
Written proposals due at Palestine City Hall  
Proposals received after this time will not be considered**

**06/10/2019 at 5:30 p.m.  
Opening of sealed RFPs**

To be considered for this engagement your firm must meet the qualifications and satisfy the requirements set forth in this RFP.

Mailing Address and Hand Delivery Address: Teresa Herrera, City Secretary  
504 N. Queen St.  
Palestine, TX 75801

All questions and correspondence should be directed to: Mike Hornes, City Manager at [mhornes@palestine-tx.org](mailto:mhornes@palestine-tx.org) or Jim Mahoney, Finance Director at [findir@palestine-tx.org](mailto:findir@palestine-tx.org) or to the above address.

Please include proposed fees for all five (5) years in your proposal: a clear price proposal for the first three years and proposed pricing for each of the two additional one-year terms.

One original proposal and two copies should be returned in a sealed envelope clearly bearing the name and address of the respondent and **“RFP 2019-003 Proposal for City of Palestine Audit Services”**.

# Request for Proposals Independent Audit Services

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## 1. Description of the City

- a. **City Description.** The City of Palestine is a political subdivision of the State of Texas (State), established in 1846. The County Seat and the largest city in Anderson County, Palestine provides a full range of municipal services, including general government, economic development, parks, cemetery, public safety (police and fire), parks and recreation, streets, community development, planning and zoning, code enforcement, public library, and municipal services such as water treatment, wastewater and engineering. The corporate limits of the city encompass approximately 19.5 square miles with a 1-mile extra territorial jurisdiction. The U.S. Census Bureau 2017 estimated population was 18,306. The city operates as a home rule city under a Council-Manager governance structure; city council is comprised of the Mayor and six Council members. The City Manager is the chief executive officer of the City of Palestine.
- b. **City Council.** The Mayor is elected at-large; the council members are each elected by district. Any new council members will be sworn in on May 13, 2019. Current members are:

Position	Name	Elected	Expires
Mayor	Steve Presley	2017	2019
District 1	Larissa Loveless	2018	2020
District 2	Mitchell Jordan	2015	2019
District 3	Vickey Chivers	2002	2020
District 4	Joe Baxter	2017	2019
District 5	Dana Goolsby	2018	2020
District 6	Ann Conner	2017	2019

- c. **City Departmental Organization.** The City of Palestine provides all municipal services within city limits with the following structure:
- i. General Fund
    1. City Manager
    2. City Secretary
    3. Legal
    4. Human Resources
    5. Finance
    6. Municipal Court
    7. Information Systems (contract)
    8. Police
    9. Fire
    10. Emergency Management
    11. Public Works
    12. Street Maintenance
    13. Fleet Maintenance

- 14. Airport
- 15. Parks
- 16. Cemetery
- 17. Library
- 18. Development Services
- ii. Enterprise Funds
  - 1. Customer Service/Utility Billing
  - 2. Sanitation
  - 3. Water
  - 4. Wastewater
  - 5. Solid Waste
  - 6. Retail Fund / Mall
  - 7. Special Events
- iii. Palestine Economic Development Corporation
  - 1. Economic Development/Marketing
  - 2. Main Street
- d. **Finance Operations.** Finance is comprised of Accounting, Customer Service, Purchasing/Warehouse and Municipal Court.

i. **Accounting.** The responsibilities of accounting are handled by 4.0 FTEs: Finance Director, Senior Accountant, Payroll Clerk and a Staff Accountant. Duties handled include accounting, audit preparation, bank reconciliation, budgeting, cash management, financial analysis, financial reporting, fixed assets, investments, payables, receivables.

Position	Name	Hire Date
Finance Director	Jim Mahoney	Aug 2017
Senior Accountant	Andrew Sibai	Dec 2018
Payroll Clerk	Renee Robinson	Mar 2013
Accountant	Chris Mahoney	Mar 2019

- ii. **Customer Service.** The responsibilities of Utility Billing are provided by 4.0 FTEs: three full time customer service representatives and one customer service representative that splits time and duties between customer service and the accounting department as the grants coordinator. Duties handled include billing and receipting for service turn-ons and disconnects, meter reading and collections for water, wastewater, garbage, and other utility services
- iii. **Municipal Court.** The responsibilities of Municipal Court are provided by one court administrator and one deputy clerk in support of two judges that process Class "C" Criminal charges filed by the Police Division, Fire Marshals and Code Enforcement Officers.
- e. **Fund Reporting Structure.** Budgets, Audits/CAFRs and Single Audits are available for review on the city's website in the Finance Department pages. The city of Palestine's fund structure is currently:

Governmental Funds .....	26
Proprietary Funds .....	3

Internal Service Funds .....5

- f. **Component Unit.** The Palestine Economic Development Corporation (PEDC) is a separate legal entity but a discretely presented component unit of the City of Palestine for financial reporting.
- g. **Budgetary Basis of Accounting.** The city utilizes modified accrual basis for governmental fund and component units.
- h. **Federal and State Financial Assistance.** Total Federal Funding in FY2017-18 totaled \$337,025.77.
- i. **Retirement System.** The city of Palestine is a participant in the Texas Municipal Retirement System (TMRS).
- j. **Computer Systems.** The city of Palestine currently utilizes Tyler Technology's InCode financial accounting system (version 9). Support services are contracted with Computerland of Tyler, Texas.

## 2. General Information.

- a. **Purpose.** The City Council of the of Palestine ("City") is requesting proposals to obtain independent audit services for performance of the City's annual financial audit for the fiscal years ending September 31, 2019, 2020 and 2021. Proposals must be from qualified and experienced public accounting firms, whose principal officers are independent certified public accountants. The selected audit firm will have the opportunity to audit financials for each of the two subsequent fiscal years, based upon satisfactory performance, awarded by city council in one-year increments.
- b. **Standards.** The requested audits are to be performed in accordance with generally-accepted auditing standards; the standards set forth for financial audits in the General Accounting Office's (GAO) Government Auditing Standards; the provisions of the federal Single Audit Act of 1984 (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*.
- c. **Current auditor.** The current audit firm, Frank Campos, CPA, completed the audit for the fiscal year ended September 30, 2018 and the previous 8 fiscal years beginning with the fiscal year ended September 30, 2010.
- d. **Inquiries.** Deadline for inquires is one week prior to deadline for proposals, as noted on the first page of this RFP. Inquiries must be submitted in writing and a written response to inquiries will be prepared and delivered to all known parties who have indicated an interest and intent in responding to this RFP. All inquiries should be directed to City Manager Mike Hornes or Finance Director Jim Mahoney as noted on the first page of this RFP. Contact with personnel of the City of Palestine other than these designated points of contact may be grounds for elimination from consideration in this selection process.
- e. **Acceptance.** All proposals must include a statement that they are valid for a minimum of 60 days subsequent to the closing of this RFP.
- f. **Sealed Bid information.** Proposal must include a table of proposed audit pricing, provided in separate sealed envelopes (one original and two copies)

- marked “**RFP: Proposal for City of Palestine Audit Services**”, detailing the proposed audit bid price for each of all five years requested (a clear price proposal for the first three years and proposed pricing for each of the two additional one-year terms), delivered to Teresa Herrera, City Secretary, as noted on the first page.
- g. **Cost of proposal.** Costs related to preparation of response shall be responsibility of the bidder.
  - h. **Right of rejection.** The city reserves the right to reject any or all proposals submitted.
  - i. **Additional information.** The City reserves the right during the evaluation process to request additional information or clarifications from bidders or to allow correction of errors or omissions. At the discretion of City, a “short-list” of firms may be invited to make presentations in-person as part of the final evaluation and selection process.
  - j. **Right of retention.** The city reserves the right to retain all proposals submitted and to use any ideas contained in proposals even if not selected.
  - k. **Implied acceptance.** Submission of a proposal implies acceptance of the terms and conditions of this RFP unless specifically agreed-to in writing between the city and the selected firm. Proposed terms which differ from the requirements of this RFP must be clearly identified and specifically noted in the proposal submitted and specifically agreed-to upon acceptance.
3. **Proposal Content and Format.** One original and two copies shall be returned in a sealed envelope clearly bearing the name and address of the respondent and “RFP: Audit Services.”
- a. **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.
  - b. **Table of Contents**
  - c. **Cover or Transmittal Letter** briefly states the understanding of the audit service to be performed, the commitment to perform the work within the time period, a statement of why the firm believes itself to be the best firm to perform the engagement, a statement that the proposal is a firm and irrevocable offer for sixty days. The transmittal letter must be signed by the appropriate authorized firm representative.
  - d. **Firm Profile.** Include the following information about your firm:
    - i. The organization and size of your firm; whether it is local, regional, national, or international in operations.
    - ii. The names of person(s) authorized to represent your firm, their title(s), address, and telephone number(s).
    - iii. The location of the office from which the work is to be performed and the number of professional staff (by staff level) employed at that office.
    - iv. A description of the range of activities performed by the local office such as auditing, accounting, tax service, or management services.

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- v. A positive statement that the following mandatory criteria are satisfied: An affirmation that you are properly licensed for practice as a certified public accountant to practice in the State of Texas and an affirmation that your firm meets the independence requirements of Governmental Auditing Standards, published by the U.S. General Accounting Office.
  - vi. List and describe the Responder's (or proposed subcontractors) professional relationships involving the City or any of its agencies for the past five years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.
  - vii. An affirmation that your firm does not have a record of substandard audit work or on-going allegations or litigation.
  - viii. An affirmation that your firm meets all specific requirements imposed by state or local law, rules, and regulations.
- e. **Firm Qualifications.** Include the following information about your firm:
- i. Please identify the audit managers and field supervisors and other staff who will work on the audit on a full-time basis and the number and nature of the staff to be so employed on a part-time basis; including staff from other than the local office. For the office that will be assigned the audit; list the most significant and relevant engagements, up to a maximum of five, that have been performed within the last five years. Indicate the scope of work, date, engagement partners, total hours and the name and telephone number of the principal client contact.
  - ii. If the firm is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium shall be separately identified and the firm that is to serve as the principal auditor shall be noted, if applicable.
  - iii. Please provide three current comparable public client references (Texas cities preferred).
  - iv. A copy of the report on the firm's most recent external quality control review, with a statement whether that review include review of specific government engagements.
  - v. The results of any peer reviews, federal or state desk reviews or field reviews of its audits during the past three years. In addition, the Responder shall provide information on the circumstances and status of any disciplinary action taken or pending against the Responder during the past three years with state regulatory bodies or professional organizations.
- f. **Audit Team Qualifications**
- i. 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 person is registered or licensed to practice as a CPA in Texas, and performing government audits in particular. Provide resumes, biographies and municipal references. Provide information on the



government auditing experience of each member of your proposed audit team, including information on relevant continuing professional education for the past three years and membership in professional organizations relevant to the performance of this audit.

- ii. The number, qualifications, experience and training, including relevant continuing professional education, and specific experience related to GFOA Certificate of Achievement for Excellence in Financial Reporting, of the specific staff to be assigned to this engagement.
- iii. The city recognizes that engagement partners, managers or other staff may change unforeseeably but the City retains the right to approve, reject or request partner and manager replacements.
- iv. Firms may subcontract portions of the engagement only if proposed subcontracting is clearly identified in the proposal. The city reserves the right to approve, disapprove or request removal of subcontractors for any reason. The audit firm retains sole responsibility for execution of the terms and conditions of the services described in the scope of this RFP.

**g. Audit Approach**

- i. Proposed segmentation of the engagement.
- ii. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- iii. The extent to which statistical sampling will be used.
- iv. Extent of use of computer audit tools and indication of how much work is anticipated to be performed remotely.
- v. Type and extent of analytical procedures to be used.
- vi. Approach to be taken in determining laws and regulations that will be subject to audit work.
- vii. Approach and frequency to be taken regarding regular communications with the City Council, City Manager, and Finance Staff.
- viii. The firm's approach to identifying, communicating and resolving any anticipated audit problems and any assistance that would be anticipated from the City.

**h. Completed Form W-9** (Federal request for Taxpayer ID No.)

- i. **Completed Form CIQ** (State Conflict of Interest Questionnaire) with respect to the elected officials named below in Description of Government.

**4. Timeline.** Proposed calendar is as follows:

05/03/2019	RFP posted to City website and distributed
06/03/2019	Deadline for inquiries, questions, or requests for information.
06/07/2019	Responses due at 3:00 pm
06/10/2019	City Council sealed bid opening at 5:30 pm
06/14/2019	Staff review and scorecarding due to City Manager
06/24/2019	City council review and selection
06/30/2019	Notice of award to prospective firms



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07/xx/2019	Preliminary audit conference, field work
09/30	Fiscal Year end
11/30	60-day current resources closure
01/31	Audit field work completion
02/15	Preliminary financial statements
02/28	Management Discussion and Analysis, Statistical Section completion by City staff
02/28	Audit Report and Management Letter
03/15	Presentation of Audit Report to City Council

## 5. Scope of Required Audit Services

- a. Express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles.
- b. Express an opinion on the fair presentation of the City's combining and individual fund financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report (CAFR). However, the auditor is to provide an "in-relation-to" opinion on the supporting schedules based on the auditing procedures applied during the audit of the basic financial statements and the combining and individual fund financial statements and schedules. The auditor is not required to audit the introductory section of the report or the statistical section of the CAFR.
- c. Perform certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.
- d. Audit the schedule of expenditures of federal awards, if it is determined that this audit is necessary. The auditor shall also be responsible for performing certain limited procedures on management controls on investments and adherence to the City's established investment policies, as required by state law. The investment policy stipulates:

*Internal Controls. Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the city are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:*

- *Preventions of collusion*
- *Separation of transaction authority from accounting and recordkeeping*
- *Custodial safekeeping*
- *Avoidance of physical delivery securities*
- *Clear delegation of authority to subordinate staff members*
- *Written confirmation of transactions for investments and wire transfers*
- *Dual authorizations of wire transfers*
- *Staff training and*
- *Review, maintenance and monitoring of security procedures both manual and automated.*

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*The external independent auditor shall provide an annual independent review to assure compliance with state law, policies and procedures.*

## **6. Auditing Standards to Be Followed**

- a. The audit shall be made in accordance with:
  - i. Generally accepted auditing standards, as adopted by the membership of the American Institute of Certified Public Accountants and the Governmental Accounting Standards Board,
  - ii. Standards for the financial audits set forth in the U.S. General Accounting Office's (GAO) Government Auditing Standards (1994),
  - iii. Provisions of the federal Single Audit Act of 1996 and the provisions of OMB Circular A-133, Audits of State and Local Government, and
  - iv. State and Federal Laws or regulations.

## **7. Reports to Be Issued**

- a. An opinion on the fair presentation of the City's basic financial statements in conformity with generally accepted accounting principles.
- b. The Basic Financial Statements section of the City's CAFR. Please provide a clear description of your firm's capabilities in coordinating with the city's financial reporting system and preparation of the basic financial statements.
- c. OMB Circular A-133 opinion.
  - i. Report on the status of internal controls relative to the financial statements and major programs.
  - ii. Compliance report that describes the degree to which the recipient has complied with laws, regulations, and the terms and conditions of the federal assistance awards.
  - iii. Schedule of findings and questioned costs.
  - iv. List of major programs using the required risk-based methodology.
  - v. Determination concerning federal programs as to whether the recipient of the federal award is a "high risk" or "low risk".
- d. Other required reports by State and Federal grantors, American Institute of Certified Public Accountants (AICPA), Governmental Accounting Standards Board (GASB), and the Government Finance Officers Association (GFOA) for Certificate of Achievement for Excellence in Financial Reporting.
- e. In the required reports on internal controls, the Auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.
- f. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls.
- g. The report on compliance and internal controls shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall

be reported in a separate management letter, which shall be referred to in the report on compliance and internal controls.

- h. An immediate, written report of all illegal or suspected-illegal acts of which they become aware during field work to the City Manager.

## **8. Other Considerations**

- a. The City will submit its Comprehensive Annual Financial Report to the Government Finance Officers Association for review in their Certificate of Achievement for Excellence in Financial Reporting program. The auditor will assist the City in ensuring that the Basic Financial Statements section of the CAFR meets the requirements of that program and will review the MD&A and other sections to ensure they don't conflict with the Basic Financial Statements. Because the CAFR must be released within six months after the fiscal year-end (March 31) to be eligible for award, timeline management is considered extremely important.
- b. The City anticipates official statements in connection with the sale of debt securities that will contain the general purpose financial statements and the auditor's report thereon. The auditor would be required, if needed, to issue a "consent and citation of expertise" as the auditor and any necessary advisory letters.

## **9. Evaluation Criteria**

- a. City Manager and Finance staff will review all proposals for initial technical scoring and compliance with RFP requirements.
- b. Staff will then prepare a preliminary score of all proposals. Firms with an unacceptably low technical score will be eliminated from recommendation to council.

## **10. Presentations/Interviews**

- a. During the evaluation process, the City Council may, at its discretion, request any one or all 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.
- b. The City reserves the right to conduct personal interviews of any or all firms prior to selection. The City will not be liable for any cost incurred by the Responder in connection with oral presentations or interviews (i.e. travel accommodations, etc.).

## **11. Final Selection**

- a. The first City Council meeting in June, 2019, is targeted for final selection. Following notification of the firm selected, it is expected a contract will be executed between both parties immediately thereafter. If a satisfactory contract cannot be negotiated with the selected firm, the City may formally end negotiations with that firm and begin discussion with the firm that had the second-highest score.

**12. Manner of Payment**

- a. Progress payments may be requested with submission of appropriate invoices based on hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost estimate (not to exceed maximum total price without written city approval). Interim billing shall not cover a period of less than one calendar month.
- b. Progress payments cannot exceed 90% of the year's contract price prior to completion.

**13. Broadened Engagements**

- a. Requests to provide other types of services, collectively referred to as "special projects," such as additional audits or reviews of specific areas such as the City's utility funds, cost studies, and consulting services are outside the scope of this proposal.
- b. Special project engagements can only be with City Manager authorization; the City retains the right to negotiate fees separately for work related to any broadened engagement.

**14. Supplementary Information**

- a. Prior year audits are available on the City Website (<http://www.cityofpalestinetx.com/>)