

CITY OF NORTH AUGUSTA

REQUEST FOR PROPOSALS

FOR

PROFESSIONAL AUDITING SERVICES

June 22, 2015

P.O. Box 6400

North Augusta, S.C. 29861-6400

CITY OF NORTH AUGUSTA

REQUEST FOR PROPOSALS

TABLE OF CONTENTS

I. INTRODUCTION

- A. General Information
- B. Term of Engagement

II. NATURE OF SERVICES REQUIRED

- A. General
- B. Scope of Work to be performed
- C. Auditing Standards to be followed
- D. Reports to be issued
- E. Special Considerations
- F. Working Paper Retention and Access to Working Papers

III. DESCRIPTION OF THE GOVERNMENT

- A. Name and Telephone Number of Contact Persons/Organizational Chart/Location of Offices
- B. Background Information
- C. Fund Structure
- D. Budgetary Basis of Accounting
- E. Federal and State Financial Assistance
- F. Pension Plans
- G. Reporting Entity
- H. Joint Ventures
- I. Magnitude of Finance Operations
- J. Computer Systems
- K. Availability of Prior Reports

IV. TIME REQUIREMENTS

- A. Proposal Calendar
- B. Notification and Contract Dates
- C. Date Audit May Commence
- D. Entrance Conferences, Progress Reporting, and Exit Conferences
- E. Schedule for the 2015 Fiscal Year Audit

- V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION
 - A. Finance Department and Clerical Assistance
 - B. Statements and Schedules to be prepared by the Finance Department
 - C. Work Area, Telephone, Photocopying, and FAX Machine
 - D. Report Preparation

- VI. PROPOSAL REQUIREMENTS
 - A. General Requirements
 - B. Technical Proposal
 - C. Dollar Cost Bid

- VII. EVALUATION PROCEDURES
 - A. Evaluation Criteria
 - B. Oral Presentations
 - C. Final Selection
 - D. Right to Reject Proposals

APPENDICES

- A. Organizational Chart
- B. List of Key Personnel, Office Locations, and Telephone Numbers
- C. Proposer Guarantees
- D. Proposer Warranties
- E. Format for Schedule of Professional Fees and Expenses
- F. Format for Schedule of Additional Professional Fees

CITY OF NORTH AUGUSTA

REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

The City of North Augusta (the "City") is requesting proposals from local (within local calling area), qualified firms of Certified Public Accountants to audit its financial statements for the fiscal year ending December 31, 2015 with the option of auditing its financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with U.S. Generally Accepted Auditing Standards, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) Government Auditing Standards (1994), the provisions of the federal Single Audit Act as amended in 1996, if applicable, and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments, and other applicable State laws and regulations.

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, the sealed proposal and five (5) copies must be received by Cammie T. Hayes at the Municipal Center, 100 Georgia Avenue, P. O. Box 6400, North Augusta, SC 29861-6400 by 5:00 P. M. on July 21, 2015. The City of North Augusta reserves the right to reject any or all proposals submitted.

Proposals submitted will be evaluated by the Auditor Selection Committee, comprised of the Mayor, two Councilmembers, the City Administrator, and the Director of Finance.

During the evaluation process, the members of this committee reserve the right, where it may serve the City's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the selection committee, 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 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.

It is anticipated the selection of a firm will be completed by August 31, 2015. Following the notification of the selected firm, it is expected that a contract will be executed between both parties by September 7, 2015.

B. Term of Engagement

A five-year contract is contemplated, subject to annual review, the satisfactory negotiation of terms (including a price acceptable to both the City and the selected firm), the concurrence of the City, and the annual availability of an appropriation.

II. NATURE OF SERVICES REQUIRED

A. General

The City of North Augusta (the "City") is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending December 31, 2015, with the option to audit the City's financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work to be performed

The City desires the auditor to determine whether the basic financial statements present fairly the financial position, results of financial operations, and cash flows in accordance with accounting principles generally accepted in the United States of America and whether the supplementary information is fairly presented in all material respects in relation to the financial statements taken as a whole and to express an opinion on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

The City also desires the auditor to express an opinion on the fair presentation of its combining and individual non-major fund financial statements and supporting schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the MD&A, introductory section or statistical section of the Comprehensive Annual Financial Report (CAFR).

C. Auditing Standards to Be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with Generally Accepted Auditing Standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards (1994), the provisions of the federal Single Audit Act as amended in 1996, if applicable, and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments, and other applicable State laws and regulations.

D. Reports to be issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue a report on the fair presentation of the financial statements in conformity with United States Generally Accepted Accounting Principles (opinion letter) to be included in City's Comprehensive Annual Financial Report.

The auditor shall communicate any deficiencies in internal control over financial reporting and internal control over compliance found during the audit. An internal control over financial reporting deficiency shall be defined as a material weakness in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis or a significant deficiency in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. An internal control over compliance deficiency shall be defined as a material weakness in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis or a significant deficiency in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Other conditions discovered by the auditors should also be reported in a management letter to the City Administrator.

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 Mayor, City Administrator, and Director of Finance of the City.

At the request of the Mayor and City Council, the auditor shall present at a public meeting the results of the audit to include the financial condition of the City's funds.

E. Special Considerations

The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Augusta for the past 31 years ended December 31, 1982, through December 31, 2013, for its Comprehensive Annual Financial Report (CAFR). The CAFR for the period December 31, 2014, has been submitted to the GFOA and is still under review. The City intends to submit all future CAFRs to the Government Finance Officers Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will be required to provide special assistance to the City to meet the requirements of that program.

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of four (4) years, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

City of North Augusta

U. S. General Accounting Office (GAO)

Parties designated by the Federal or State governments or by the City as part of an audit quality review process

Auditors of entities of which the City is a subrecipient of grant funds (the State of South Carolina)

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.

III. DESCRIPTION OF THE GOVERNMENT

A. Name and Telephone Number of Contact Persons/Organizational Chart/Location of Offices

The auditor's principal contact with the City will be Cammie T. Hayes, Director of Finance, who will coordinate the assistance to be provided by the City to the auditor.

An organizational chart (Appendix A) and a list of key personnel with the location of their principal offices (Appendix B) are attached.

B. Background Information

The City serves an area of approximately 21 square miles with a population of approximately 20,000. The City's fiscal year begins on January 1 and ends on December 31.

The City provides the following services to its citizens:

1. Residential and commercial sanitation services (including recycling).
2. Water, wastewater, and stormwater services.
3. Police and fire protection.
4. Parks and recreation services.
5. Planning and zoning.
6. General administration.

The City has a total payroll of approximately \$15.3 million covering approximately 224 full-time employees and 19 part-time employees.

The City is organized into five functional areas including General Administration, Public Safety, Public Works, Recreation and Parks, and Public Utilities. The accounting and financial reporting functions of the City are centralized in the Finance Department.

More detailed information on the government and its finances can be found in annual budgets and comprehensive annual financial reports available on our website at www.northaugusta.net.

C. Fund Structure

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

<u>Fund Type/Account Group</u>	<u>Number of Individual Funds</u>	<u>Number With Legally Adopted Annual Budgets</u>
General Fund	1	1
Special Revenue Funds	10	-
Capital Projects Fund	1	-
Enterprise Funds	4	3
General Fixed Assets Account Group	1	-
General Long-term Debt Account Group	1	-

D. Budgetary Basis of Accounting

The City prepares both the general fund and enterprise fund budgets on the modified accrual basis, which is consistent with the basis of accounting for its general fund, but not for its enterprise funds, for which the full accrual basis of accounting is used. The City Council does not routinely make budget amendments.

E. Federal and State Financial Assistance

During fiscal year 2015, the City will receive more than \$750,000 in federal financial assistance requiring comprehensive testing of compliance and internal control over compliance of federal programs, "single audit".

F. Pension Plans

The City participates in the following pension plans:

South Carolina Retirement System and South Carolina Police Officers Retirement System, both of which are defined benefit cost-sharing multiple-employer public employee retirement systems.

Actuarial services for these plans are provided by the State of South Carolina.

G. Reporting Entity

The reporting entity of the City, for financial purposes, includes all the funds relevant to the operation of the City.

H. Joint Ventures

The City does not participate in joint ventures with other governments.

I. Magnitude of Finance Operations

The finance department is headed by Cammie T. Hayes, Director of Finance, and consists of eight employees. The principal functions performed and the number of employees assigned to each is as follows:

<u>Function</u>	<u>Number of Employees</u>
Administration	1
Accounting	2
Central Collections	2
Utility Billing	1
Tax billing	1
Customer Service	1

J. Computer Systems

The City's general ledger, accounts payable, payroll, and fixed assets accounting runs on a Local Area Network (LAN). Further information on the City's computer systems may be obtained by contacting Cammie T. Hayes, Director of Finance via e-mail.

K. Availability of Prior Reports

The most current CAFR and budget documents as well as prior year documents can be found on the City's web-site at www.northaugusta.net.

IV. TIME REQUIREMENTS

A. Proposal Calendar

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

Request for proposal issued	06/22/15
Due date for proposals	07/21/15

B. Notification and Contract Dates

Selected firm notified	09/07/15
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C. Date Audit May Commence

The City's management team will be available to meet with the firm's personnel as early as October 1, 2015 for an entrance conference and interim work, at the discretion of the auditor.

D. Entrance Conferences, Progress Reporting and Exit Conferences (a similar time schedule will be developed for audits of future fiscal years).

These conferences should be held periodically, but not less than monthly, to apprise the Director of Finance with the progress of the work, the nature of any problems encountered, and the projected completion date of the audit. Entrance and exit conferences should be scheduled annually.

E. Schedule for the 2015 Fiscal Year Audit (a similar time schedule will be developed for audits of future fiscal years).

Each of the following should be completed by the auditor no later than the dates indicated.

1. Interim Work

The auditor shall complete interim work by December 18, 2015.

2. Detailed Audit Plan

The auditor shall provide the City by December 18, 2015, both a detailed audit plan and a list of all schedules to be prepared by the City's staff.

3. Field Work

The auditor shall complete all field work by March 11, 2016.

4. Preliminary Draft Report

The auditor shall have a preliminary draft of the audit reports available for review by the Director of Finance by April 1, 2016.

5. Draft Report

The auditor shall provide 15 copies of the draft audit report to be delivered to the Director of Finance by April 7, 2016. The auditor shall present this report to City Council at a subsequent Council meeting. The tentative date for presentation to City Council is April 21, 2016.

6. Comprehensive Annual Financial Report (CAFR)

The CAFR (40 copies) should be delivered to the Director of Finance by June 13, 2016.

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.

B. Statements and Schedules to be prepared by the Finance Department

The finance department will prepare any statements and schedules for the auditor which its level of expertise and available time allows. In the past, this assistance has included schedules of property taxes receivable, accounts payable, fund reserve requirement, utility billing aging analysis, pipe inventory (water and sewer), fixed assets and construction-in-progress, and compensated absences.

Additionally, the City will provide assistance in pulling and refileing invoices and check vouchers needed by the auditor for testing. Also, the City will prepare the introductory section, statistical section and MD&A for the CAFR.

C. Work Area, Telephones, Photocopying and FAX Machine

The City will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to one telephone line, photocopying facilities and FAX machines.

D. Report Preparation

Report preparation, routine editing, and printing shall be the responsibility of the Auditor. It is anticipated that the auditor will be integrally involved in substantive review and editing throughout the report preparation process. The auditor shall provide the paper stock for the draft audit report. The City shall provide the paper stock for the CAFR.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals should be made to:

Cammie T. Hayes, Director of Finance
City of North Augusta
P.O. Box 6400
North Augusta, S.C. 29861-6400
chayes@northaugusta.net

2. Submission of Proposals

The following material (five copies) is required to be received by 5:00 PM, July 21, 2015, for a proposing firm to be considered:

a. A Technical Proposal to include the following:

(1) 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.

(2) Table of Contents

(3) 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 it to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for 60 days.

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

Cammie T. Hayes, Director of Finance
100 Georgia Avenue
P.O. Box 6400
North Augusta, S.C. 29861-6400

The City will not be responsible for late submissions caused by the postal service or any other delivery problems.

B. Technical Proposal

1. General Requirements

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 City in conformity with the requirements of this request for proposals. 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 proposals requirements.

The Technical Proposal should address all the points outlined in the request for proposals. 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 proposals. While additional data may be presented, the following subjects, items Nos. 2 through 7, must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the City as defined by generally accepted auditing standards/the U.S. General Accounting Office's Government Auditing Standards (1994).

3. License to Practice in South Carolina

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

4. Firm Qualifications and Experience

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.

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

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of audits performed by its office during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against its office during the past three (3) years with state regulatory bodies or professional organizations.

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 South Carolina. Provide information on the local 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. Indicate how the quality of staff over the term of the engagement will be assured.

6. Similar Engagements with Other Government Entities

List the most significant engagements (maximum of five) performed in the last three years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners and the name and telephone number of the principal client contact.

7. Specific Audit Approach

The proposal should briefly 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 proposal including the level of staff and number of hours to be assigned to the major segments of the engagement.

C. Dollar Cost Bid

1. Total All-inclusive Maximum Price (Appendix E)

The dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs.

The City will not be responsible for expenses incurred in preparing and submitting the proposal. Such costs should not be included in the proposal.

The dollar cost bid should include the following information:

- a. Name of Firm
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City.
- c. A Total All-inclusive Maximum Price for the 2015-2019 engagements.

2. Rates for Additional Professional Services (Appendix F)

It may become necessary for the City to request the auditor to render additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the City and the firm. The auditor should state the hourly rates that would be charged for such services.

3. Manner of Payment

Progress payments 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 dollar cost bid proposal. Interim billing shall cover a period of not less than a calendar month.

4. Prior Contract Audit Fees

For your information, we are providing the previous audit fees.

Year ended 12-31-2010	\$33,875
Year ended 12-31-2011	34,875
Year ended 12-31-2012	35,875
Year ended 12-31-2013	36,875

VII. EVALUATION PROCEDURES

A. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated 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 South Carolina.
- b. The firm is local (has an office located within the local calling area).
- c. The firm has no conflict of interest with regard to any other work performed by the firm for the City.
- d. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
- e. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.

2. Technical Quality

- a. The firm's past experience and performance on comparable government engagements
- b. 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

Cost will be a primary factor in the selection of an audit firm.

B. Oral Presentations

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

C. Final Selection

The City Council will select a firm based upon the recommendation of the Auditor Selection Committee.

It is anticipated that a firm will be selected by August 31, 2015. Following notification of the firm selected, it is expected a contract will be executed between both parties by September 7, 2015.

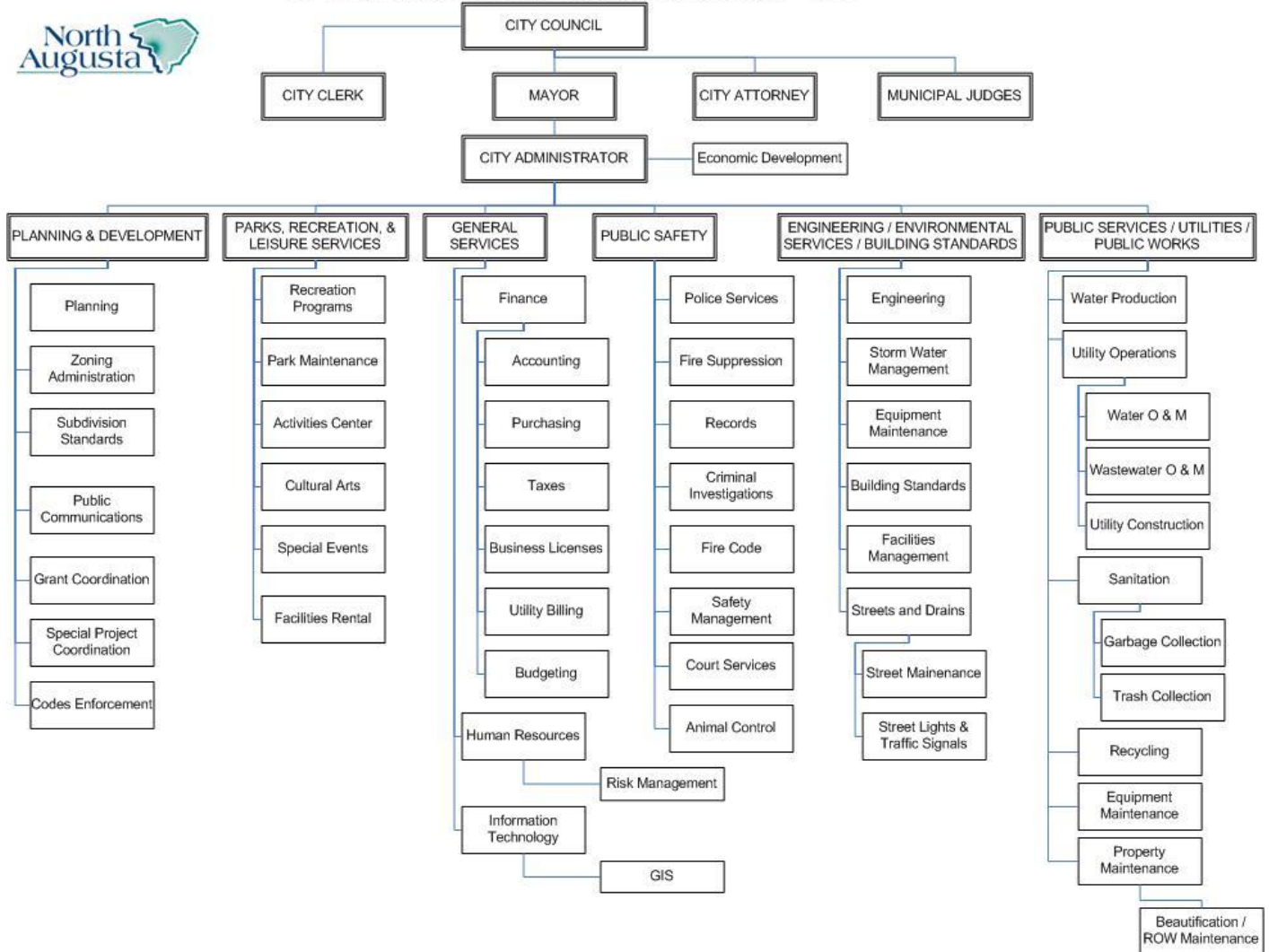
D. Right to Reject Proposals

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.

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

APPENDIX A

CITY OF NORTH AUGUSTA ORGANIZATION CHART - 2015



APPENDIX B

LIST OF KEY PERSONNEL, OFFICE LOCATIONS,
AND TELEPHONE NUMBERS

Lark W. Jones, Mayor	Municipal Center	(803) 441-4202
B. Todd Glover, City Administrator	Municipal Center	(803) 441-4202
Cammie T. Hayes, Director of Finance	Municipal Center	(803) 441-4206
Kelly F. Zier, City Attorney	602 West Avenue	(803) 279-5998

APPENDIX C

PROPOSER GUARANTEES

The proposer certifies it can and will provide and make available, as a minimum, all services set forth in this request for proposals.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX D

PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.

- B. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of North Augusta.

- C. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX E

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDITS AND CAFRS OF THE 2015-2019 FINANCIAL STATEMENTS

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>TOTAL</u>
Partners	_____	_____	_____	_____
Managers	_____	_____	_____	_____
Supervisory Staff	_____	_____	_____	_____
Staff	_____	_____	_____	_____
Other (specify):	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total all-inclusive maximum price for 2015 audit			=====	=====
Total all-inclusive maximum price for 2016 audit			=====	=====
Total all-inclusive maximum price for 2017 audit			=====	=====
Total all-inclusive maximum price for 2018 audit			=====	=====
Total all-inclusive maximum price for 2019 audit			=====	=====

APPENDIX F

SCHEDULE OF ADDITIONAL PROFESSIONAL FEES
FOR SERVICES BEYOND THE SCOPE OF THE ANNUAL AUDIT

	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>
Partners	_____	_____
Managers	_____	_____
Supervisory Staff	_____	_____
Staff	_____	_____
Other (specify):		
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____