

CITY OF CATHEDRAL CITY
REQUEST FOR PROPOSAL
For
PROFESSIONAL AUDITING SERVICES

DECEMBER 15, 2016



Cathedral City

Galina Harvey
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City of Cathedral City
68-700 Avenida Lalo Guerrero
Cathedral City, California 92234

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CITY OF CATHEDRAL CITY
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I. INTRODUCTION

A. General Information

The City of Cathedral City is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the three fiscal years beginning with the fiscal year ending June 30, 2017, through the fiscal year ending June 30, 2019, with the option of auditing its financial statements for each of the three (3) subsequent fiscal years, in addition to performing other financial audits and reviews as specified below. The option of auditing its financial statements for the subsequent fiscal years is at the discretion of the City of Cathedral City.

These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

There is no expressed or implied obligation for the City of Cathedral City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et seq.), unless exempt.

To be considered, five (5) copies of the proposal (technical and cost) must be received by Galina Harvey, Procurement Administrator at 68-700 Avenida Lalo Guerrero, Cathedral City, CA 92234, by **5:00 P.M. on Thursday, January 26, 2017**. The City reserves the right to reject any or all proposals submitted.

During the evaluation process, the City of Cathedral City reserves the right, where it may serve the City's best interest, to request additional information or clarification from proposers, or to allow corrections of errors or omissions. At the discretion of the City of Cathedral City, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City reserves the right to retain all proposals submitted and to use any idea(s) in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in the request for proposal, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Cathedral City and the firm selected.

Following the notification of the selected firm, a recommendation and proposed contract will be prepared for review and approval by the City Council at its March 22, 2017 meeting. It is anticipated the selection of a firm will be completed and a contract will be executed between both parties by March 22, 2017. The City reserves the right to reject any or all proposals, to

waive any non-material irregularities or information in any proposal, and to accept or reject any items or combination of items.

B. Term of Engagement

It is the intent of the City to contract for the services presented herein for a term of three (3) years. The City of Cathedral City reserves the right to extend the term of this contract for three (3) additional one-year terms subject to the satisfactory negotiation of terms, including a price acceptable to both the City and the selected firm, the concurrence of the City Council and the annual availability of an appropriation.

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 City of Cathedral City desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles for the fiscal year ended June 30, 2017 and each of the subsequent years, 2018 and 2019 of the audit firm's contract with the City.

The selected independent auditor will be required to perform the following tasks:

1. The audit firm will perform an audit of all funds of the City of Cathedral City. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States. **The City's Comprehensive Annual Financial Report (CAFR) will be prepared by City staff.** The CAFR will be in full compliance with all Governmental Accounting Standards Board (GASB) Statements. The audit firm will render their auditors' report on the basic financial statements, which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the City.

The City has two blended component units, the Cathedral City Public Financing Authority ("PFA") and the Cathedral City Community Services District ("CSD"). As blended component units of the City, they will be subject to the same auditing procedures as applied to the City's financial statements. The PFA is reported as a debt service fund while CSD activity is included as part of the General Fund. Separate financial statements are not prepared for these two component units.

The City also has a fiduciary component unit, the Successor Agency to the Redevelopment Agency of the City of Cathedral City ("Successor Agency"). As a fiduciary component unit of the City, it will be subject to the same auditing procedures as applied to the City's financial statements. The Successor Agency is reported as a private-purpose trust fund. A separate financial statement is not prepared for this component unit.

2. The audit firm shall perform agreed-upon auditing procedures pertaining to the City's GANN Limit (Appropriations Limit) and render a letter annually to the City regarding compliance.
3. The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the City Manager.
4. The audit firm shall issue a separate "communications with those charged with governance" report in accordance with the American Institute of Certified Public Accountants (AICPA) *Statement on Auditing Standards No. 114*. The audit committee letter covers such topics as the auditor's responsibility during the audit, the scope and timing of the audit and significant audit findings, including qualitative aspects of accounting practices, difficulties encountered in performing the audit, corrected and uncorrected misstatements, disagreements with management, management representations, management consultation with other independent accountants, and other audit findings or issues. This letter should be addressed to the Mayor and City Council.
5. If necessary, the audit firm will perform a single audit on the expenditures of federal grants in accordance with the Uniform Guidance and prepare the related Single Audit Report. This report will include the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* and the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance*. In addition, the single audit report will include an appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow-up on prior audit findings where required.
6. If a single audit is necessary, the audit firm will prepare Form SF-SAC, Data Collections Form for Reporting of Audits of States, Local Governments and Non-Profit Organizations. In addition, the audit firm will file the completed Form SF-SAC and other required information with the Federal Audit Clearinghouse.
7. If funds are received in the future, the audit firm will perform an audit of the program financial statements related to Senate Bill (SB) 621 funds received and expended. The audit firm will also prepare the audit report to include an independent auditor's report, statement of status of funds, notes to program financial statements, auditor's report on internal control over financial reporting and on compliance and other matters based upon the audit of the financial statements performed in accordance with *Government Auditing Standards*, and schedule of findings, if any.

B. Auditing Standards to be Followed

To meet the requirements of this Request for Proposal, the audit shall be performed in accordance with:

1. Auditing standards generally accepted in the United States of America as set by the American Institute of Certified Public Accountants (AICPA) or any successor body, including standards related to fraud detection. Such standards must include specific

requirements found in the new AICPA audit guide, Audits of State and Local Governments.

2. The standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
3. The provisions of the Single Audit Act as amended in 1996.
4. The provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.
5. Specific auditing standards relating to any grant agreement determined to be material by the auditor for purposes of the examination of the basic financial statements.
6. Any other applicable standards for conducting examinations of those items outlined in the Scope of Work to Be Performed and/or reports to be issued in conjunction therewith.

C. Working Paper Retention

All working papers and reports must be retained at the auditor's expense for a minimum of seven (7) years, unless the firm is notified in writing by the City of Cathedral City of the need to extend the retention period. The auditor will be required to make working papers available to the City of Cathedral City or any government agencies included in the audit of federal grants. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

D. Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties: City Council, City Manager and the Administrative Services Director.

III. DESCRIPTION OF THE GOVERNMENT

A. Background Information

Cathedral City is conveniently located 110 miles east of Los Angeles and 130 miles northeast of San Diego. The City is a business and resort community located in the heart of the Coachella Valley conveniently located between Palm Springs and Rancho Mirage in eastern Riverside County. With a diverse population of more than 54,000, Cathedral City is the second-largest city in the Coachella Valley. Occupying a land area of approximately 24 square miles at an elevation of 400 feet above sea level, the City boasts an ideal climate of 350 sunny days a year. The City offers clean air, scenic beauty and unlimited leisure activities, housing options and business opportunities. Colonel Henry Washington discovered Cathedral City in 1850, naming it after nearby rock formations resembling a grand cathedral. The City is proud of its cultural diversity and rich history. The Agua Caliente Band of Cahuilla Indians established their reservation in 1876, and the City housed its first subdivision in 1925.

From the original inhabitants, the Agua Caliente Band of Cahuilla Indians, Cathedral City has become a home of diversity in ethnicity, income and lifestyle. White-collar and blue-collar workers, professionals and retirees are all part of a population that works and lives together in a community striving for an enjoyable, prosperous and healthy lifestyle.

Currently, the City operates under the council-manager form of government. Policymaking and legislative authority are vested in a City Council comprised of the mayor and four other Council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Council is elected on a nonpartisan basis. Council members serve four-year staggered terms, with two Council members elected every two years. The mayor is elected to serve a two-year term. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and for appointing the various department heads.

Note – In November 2016, the electorate passed a measure approving the change from the council-manager form of government to a charter city form of government. With the November 2018 election, there will no longer be a mayor and four council members, but there will be five council members with a rotating mayor each year. Council members will continue to serve four-year staggered terms, with three Council members elected in one two-year cycle and two council members elected in alternative two-year cycle.

The original General Fund appropriation for FY 2016-17 totals \$34.9 million (including transfers out), and is funded by \$34.9 million in revenues (including transfers in). The City currently has 171 full-time and part-time employees. The fiscal year begins on July 1 and ends on June 30.

The City has a general fund, special revenue funds, debt service funds, capital project funds, proprietary funds and trust and agency funds. The City desires a full scope audit of all funds and account groups in accordance with generally accepted auditing standards.

The City provides a full range of services including public safety, public works, community development, recreation and culture, and general administrative services.

B. Fund Structure

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

2016/17 FUND STRUCTURE	
Fund Type/Account Group	City
General Fund	1
Special Revenue Funds	18
Debt Service Funds	1
Capital Projects Funds	15
Internal Service Funds	4

Trust and Agency Funds	14
General Long-Term Debt	1
General Fixed Assets	1
TOTALS	55

C. Component Units

The City is defined, for financial reporting purposes, in conformity with the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. Using these criteria, component units are included in the City's financial statements. The management of the City identified the following component units (with fiscal years ending June 30) for inclusion in the City's financial statements:

- Cathedral City Public Financing Authority
- Cathedral City Community Services District
- Successor Agency to the Redevelopment Agency of the City of Cathedral City

These component units are to be audited as part of the audit of the City's financial statements. The contact persons and records location are the same as the primary unit.

D. Magnitude of Finance Operations

The Finance Department is headed by an Administrative Services Director, and consists of the following nine (9) positions:

Accounting Services Manager	1.0 FTE
Fiscal Officer	1.0 FTE
Accountant II	1.5 FTE
Accountant I	1.0 FTE
Payroll Coordinator	1.0 FTE
Administrative Analyst II	1.0 FTE
Accounting Technician	1.0 FTE
Accounting Assistant	0.5 FTE
Administrative Assistant Special Projects	0.5 FTE

E. Computer Systems

The City's computerized systems are run on a Local Area Network (LAN). The City uses Harris Computer Systems Cayenta financial software for municipalities and utilizes the Cash Receipts, Purchase Order, Accounts Payable, and General Ledger modules. The City uses HdL software for business licenses and Permits Plus software for permits. Paychex, a third party vendor, is used for payroll.

Note – The City is currently evaluating responses to a Request for Proposal (RFP) to migrate to an Integrated Municipal Enterprise Resource Planning (ERP) system. It is anticipated that migration to that ERP and associated components will occur during FY 2017/18.

F. Availability of Prior Reports and Working Papers

Lance, Soll & Lunghard, LLP in Brea, CA conducted the City’s most recent audit. The working papers of the previous audits are the property of the previous auditor and can be reviewed by the successful Proposer. The following financial statements were prepared and/or audited by Lance, Soll & Lunghard, LLP for fiscal year 2015/16.

- City of Cathedral City Comprehensive Annual Financial Report (audited by firm/prepared by client)
- Single Audit Report (audited by firm/prepared by firm)

IV. TIME REQUIREMENTS

A. Proposal Calendar

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

Activity	Date
Request for proposal issued	December 15, 2016
Deadline for questions	December 29, 2016
Response to questions issued	January 12, 2017
Proposal due (must be received by 5:00 pm)	January 26, 2017
Oral interviews (conducted at City’s discretion)	February 2017
Selection of firm	March 9, 2017
Contract awarded by City Council	March 22, 2017
Contract executed between parties	March 30, 2017

B. Date Audit May Commence

Audit planning, documentation of systems of internal control and compliance and transaction testing should be completed during interim stage. Interim audit fieldwork should be completed no later than May 31st.

It is expected the City will close its books in early September and be ready for the final audit in late September. Final audit fieldwork should be completed no later than mid-October.

C. Date Reports Are Due

Upon completion of the audit examination and prior to issuing any audit reports or the management letter, the auditor will participate in an exit conference with the Accounting Services Manager and other City staff as necessary to discuss observations and findings. During the course of the engagement, the auditor will meet with and provide periodic status reports to the Accounting Services Manager on a regular basis. The auditor should also be available to meet with the Accounting Services Manager as needed, to provide consultation on various accounting and auditing matters.

The following is the anticipated report schedule and related due dates:

Reports	Due Date
City submits to auditors the draft CAFR	3 weeks after auditors finish on-site field work
Auditors submits to City comments on draft CAFR	3 weeks after City send draft CAFR
Auditors submit to City the draft management letter	6 weeks after auditors finish on-site field work
Auditors submit to City drafts of all other audit reports	5 weeks after auditors finish on-site field work
Auditors submit to City the final management letter	7 weeks after auditors finish on-site field work
Auditors submit to City finals of all other audit reports	7 weeks after auditors finish on-site field works
Auditors submit to City independent auditor's reports for City CAFR	7 weeks after auditors finish on-site field work
City submits finals reports to governing body	Not later than December 31, 2017
Formal presentation to Council, if necessary	January 2018

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

A. Finance Department and Clerical Assistance

The Finance Department staff will be available during the audit to assist the firm by providing information, documentation, and explanations. The Accounting Services Manager, will be responsible for acting as the liaison between the audit firm and City personnel.

B. Work Area, Telephone, and Office Equipment

The City will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to a telephone, photocopying and fax machines.

C. Report Preparation

Finance staff will prepare a draft copy of the CAFR. Finance staff will also be responsible for the posting of any auditor adjusting entries or changes to the financial statements. Finance staff is responsible for preparing the draft Schedule of Expenditures of Federal Awards (SEFA), if applicable, prior to the on-site field work.

Final preparation of the CAFR will be the responsibility of the City of Cathedral City upon receipt of the independent auditor's reports. Preparation, editing and printing of all other reports will be the responsibility of the auditor.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries concerning the Request for Proposal and the subject of the Request for Proposal must be made to:

Galina Harvey, Procurement Administrator
68-700 Avenida Lalo Guerrero
Cathedral City, CA 92234
(760) 770-0356
gharvey@cathedralcity.gov

CONTACT WITH PERSONNEL OF THE CITY OTHER THAN THE ABOVE REGARDING THIS REQUEST FOR PROPOSAL MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.

2. Submission of Proposal. Five (5) copies of the Proposal (technical and cost) shall be received by the Procurement Administrator at the City of Cathedral City by 5:00 p.m. on January 26, 2017 for a Proposal to be considered. The Proposal should address the items listed in sections C and D below. **The cost proposal should be included in a separately sealed envelope labeled: City of Cathedral City, RFP for Professional Auditing Services, Sealed Cost Proposal.**

The Proposal should be addressed as follows:

**City of Cathedral City
Galina Harvey, Procurement Administrator
68-700 Avenida Lalo Guerrero
Cathedral City, CA 92234**

B. Format for Technical Proposal

1. Title Page showing the request for proposal subject; the firm's name, CPA license number and Federal Employer Identification Number; the name, address and telephone number of the contact person; and the date of the proposal.
2. Table of Contents identifying the materials submitted by section and page number. Cross-referencing to section and page number in the RFP would be helpful.
3. Signed Transmittal Letter briefly stating the Proposer's understanding of the work to be done; the commitment to perform the work within the time period; and state why the firm believes it is best qualified to perform the work. Include the name(s) of the person(s) authorized to represent the Proposer, and their contact information (title, address, and telephone number). Also indicate that the firm is an Equal Opportunity Employer, and that it has the required insurance policies (Professional Liability, Workers' Compensation, Comprehensive General Liability, and Auto) in coverage amounts of not less than \$1,000,000 each. The firm's proposal should state that it is irrevocable for 90 days.
4. Detailed Proposal following the order set forth in Section C below.

C. Contents of Technical Proposal

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firm seeking to undertake an independent audit of the City in conformity with the requirements of this request for proposal. As such, the substance of proposals will carry more weight than the form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposal requirements.

The Technical Proposal should address all points outlined in the request for proposal (excluding any cost information which should only be included in the Sealed Dollar Cost Bid).

The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of this request for proposal. While additional data may be presented, the following subjects must be included. They represent the criteria against which the proposal will be evaluated.

1. License to Practice in California

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

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Cathedral City as defined by auditing standards generally accepted in the United States of America and the General Accounting Office's *Government Auditing Standards*. The firm should also provide an affirmative statement that it is independent of all the component units of the City of Cathedral City, as defined by those same standards.

The firm should list and describe the firm's professional relationships involving the City of Cathedral City or any of its agencies or component units 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.

3. 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. Staff consistency is an important consideration.

The Proposer should provide the range of activities performed by the local office, e.g., audit, accounting, tax service and/or management consulting services.

The Proposer must provide a list of all current municipal clients.

The Proposer is also required to submit a copy of a report on its most recent external quality control review (peer review), with a statement whether that quality control review included a review of specific governmental audit engagements.

The Proposer shall also provide information on the results of any Federal or State desk reviews or field reviews of its audits during the past three (3) years. 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.

4. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists who would be assigned to this engagement.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City.

However, in either case, the City retains the right to approve or reject replacements. Other audit personnel may be changed at the discretion of the Proposer provided that replacements have substantially the same or better qualifications or experience.

Include résumés, indicating whether each such person is registered or licensed to practice as a certified public accountant in California. Provide information on the government auditing experience of each person, including information on relevant continuing professional education and membership in professional organizations relevant to the performance of this audit. Individual résumés are to be limited to a maximum of three (3) pages.

5. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum - 5) performed in the last three (3) years that are similar to the engagement described in this request for proposal. For each engagement, please identify whether the audit firm or the client prepares the CAFR. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. Also please indicate whether the audit was part of a Comprehensive Annual Financial Report prepared in conformance with the GASB 34 requirements.

Information should be provided regarding clients the firm serves that have received the GFOA award.

Please provide a list of not less than five client references for whom services similar to those outlined in the RFP are currently being provided. For each reference listed provide the name of the organization, dates for which the service(s) are being provided, type of service(s) being provided and the name, address and telephone number of the responsible person within the reference's organization. The City reserves the right to contact any or all of the listed references regarding the audit services performed by the Proposer.

6. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed to perform the services required in Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as the City of Cathedral City budget and related materials, organizational charts, manuals, programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation for the engagement;
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement;
- c. Sample sizes and the extent to which statistical sampling is to be used in this engagement;
- d. Extent of use of software in this engagement;
- e. Type and extent of analytical procedures to be used in this engagement;
- f. Approach to be taken to gain and document an understanding of the City's internal control structure;
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work; and
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance.

7. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City.

NO DOLLAR AMOUNTS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL.

D. Contents of Cost Proposal

1. Total Fixed Fee Price

The cost proposal should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total fixed fee price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

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

The cost proposal should be submitted in the format provided in Attachment A, "SEALED COST PROPOSAL," Attachment B, "AUDIT WORK COST PROPOSAL FORM" and Attachment C, "ADDITIONAL SERVICES COST."

The first page (Appendix A) of the sealed cost proposal should include the following information:

- Name of firm.
- 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 of Cathedral City.
- Total fixed fee prices for each of the three (3) years of engagement.

The second page (Appendix B) of the sealed cost proposal should include a schedule of professional fees and expenses, presented in the format provided in the attachment, that supports the total fixed fee price.

If it should become necessary for the City of Cathedral City to request the auditor to render any additional services, either to supplement the services requested in this request for proposal or to perform additional work, then such additional work shall be performed only if set forth in an addendum to the contract between the City of Cathedral City and the firm. Any such additional work agreed to between the City of Cathedral City and the firm shall be performed at the proposed rates set forth in the Additional Services Cost (Attachment C) included in the sealed cost proposal.

2. Manner of Payment

Progress payments will be made on a percentage basis 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 a calendar month. Final payment will be made after delivery of all of the firm's final reports.

VII. EVALUATION PROCEDURES

A. Review of Proposals

City staff will evaluate submitted proposals. The Evaluation Committee will use a point formula during the review process to score proposals. Each member will first score each technical proposal by each of the criteria described in Section VII.B.2 below. The full Evaluation Committee will then convene to review and discuss these evaluations and to combine the individual scores to 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.

After the composite technical score for each firm has been established, additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest total fixed fee price. Proportionate fractional scores will be assigned to other proposers.

B. Evaluation Criteria

Proposals will be evaluated using three (3) 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 audit firm's professional personnel have received adequate continuing professional education within the preceding two years.
- c. The firm has no conflict of interest with regard to any of the 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 Qualifications (70%)

- a. Expertise and Experience (40%)
 - (1) The firm's past experience and performance on comparable government engagements.
 - (2) 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.
- b. Audit Approach (30%)
 - (1) Adequacy of proposed staffing plan for various segments of the engagement.
 - (2) Thoroughness of approach to conducting the audit of the City and demonstration of the understanding of the objectives and scope of the audit.

- (3) Adequacy of sampling techniques.
 - (4) Adequacy of analytical techniques.
 - (5) Commitment to timeliness in the conduct of the audit.
3. Fees (30%)
- a. Maximum fees to conduct the audit (Attachment B).
 - b. Hourly rates for additional services (Attachment C).

C. Oral Presentations

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

D. Final Selection

The City Council will select a firm based upon the recommendations of the Evaluation Committee.

It is anticipated that a firm will be chosen by Thursday, March 9, 2017. Following notification of the firm selected, the Evaluation Committee's recommendation will be submitted to City Council to award the contract at its March 22, 2017 meeting. It is expected a contract will be executed between both parties by March 30, 2017. A three-year contract with options for three one-year extensions is expected. The renewal options will be subject to review and satisfactory negotiation of terms, including a price acceptable to both the City and the selected firm.

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 of Cathedral City and the firm selected.

VIII. ELECTED OFFICIALS

The audit firm selected may be required to make a presentation when the final audited statements are presented to the City Council at a regularly scheduled Council meeting. These generally occur at 6:30 P.M. on the second and fourth Wednesdays of each month.

IX. OTHER INFORMATION

Firms are encouraged to contact Galina Harvey, Procurement Administrator at gharvey@cathedralcity.gov with any questions. All questions will be answered via e-mail and sent to all known RFP holders.

Cathedral City's most recent financial statements and budget can be found on the City's website, www.cathedralcity.gov. The financial statements for the year ended June 30, 2016, have been posted to the website.

During the evaluation process, the City may request additional information, clarifications, or allow corrections of errors or omissions.

A liquidated damages clause will be included in the contract to ensure timeliness of deliverables.

Prior to commencement of audit services, the audit firm will be required to provide certificates of insurance coverage, the types and levels required in VI.B.3. above.

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

Attachment A
SEALED COST PROPOSAL

Name of Firm: _____

Address: _____

City, State, Zip: _____

Contact Name: _____

Contact Telephone Number(s): _____

Contact E-mail Address: _____

I, the undersigned, certify I am duly authorized to represent the above named firm and am empowered to submit this bid. In addition, I certify I am authorized to contract with the City of Cathedral City on behalf of the above named firm.

Signature	Title	Date
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Name (print) _____

Total fixed fee price for 2016/17 Audit \$ _____

Total fixed fee price for 2017/18 Audit \$ _____

Total fixed fee price for 2018/19 Audit \$ _____

Attachment B
AUDIT WORK COST PROPOSAL FORM

Service	Proposed Hours	Fixed Fee Amounts				
		2016/17	2017/18	2018/19	Option Year 1	Option Year 2
		2019/20	2020/21			
		Dollars	Dollars	Dollars	Dollars	Dollars
City Audit (including independent auditor's reports)						
GANN Limit Review Report						
Single Audit and Related Reports, if applicable						
SB 621 Audit and Related Reports, if applicable						
Out-of-pocket expenses:						
Lodging/meals						
Transportation						
Other						
TOTALS						

BREAKDOWN OF AUDIT HOURS BY LABOR CATEGORY			
Labor Category	Hours	Standard Hourly Rate	Proposed Hourly Rate
Partner			
Manager			
Supervisor			
Senior Accountant			
Staff Accountant			
Other:			
TOTAL			

Attachment C
ADDITIONAL SERVICES COST

Please provide hourly rates for services that may be requested outside the scope of these audit services.

Labor Category	Standard Hourly Rate	Proposed Hourly Rate
Partner		
Manager		
Supervisor		
Senior Accountant		
Staff Accountant		
Other:		