

**REQUEST FOR PROPOSAL
ANNUAL INDEPENDENT CPA AUDIT
RIFLE, COLORADO**

INTRODUCTION

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

A. General Information

The City of Rifle, Colorado is requesting proposals from qualified certified public accounting firms to audit its financial statements for the year ending December 31, 2018, with the options of auditing its financial statements for each of the subsequent four years. These audits are to be performed in accordance with generally accepted auditing standards, the Colorado Local Government Audit Law, C.R.S. § 29-1-601 *et. seq.*, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) Governmental auditing Standards and the provisions of the federal Single Audit Act and U.S. Office of Management and Budget (OMB) Circular A-128 Audits of the State and Local Governments.

Any inquiries concerning the request for proposals should be addressed to the Finance Director at (970) 665-6449.

To be considered, one electronic plus four hard copies of a proposal must be received by the Finance Director at 202 Railroad Ave, Rifle, Colorado, 81650 by 1:00 pm on September 21, 2018.

Any inquiries or requests concerning clarification or solicitation for additional information shall be submitted by 5pm on September 13 to the City's Finance Director, Michelle Duran, mduran@rifleco.org All queries and answers will be posted at www.rifleco.org

INSTRUCTIONS

No telephone, electronic, or facsimile proposals will be accepted or considered.

1. Proposals must be dated and signed by a duly authorized partner or corporate officer, with that person's name and title clearly identified. All of the proposal terms, conditions, contents, fees and charges shall be guaranteed by the proposer

for a minimum of ninety (90) days from the date of submission of the proposal to the City.

2. Check List – The following information must be included with your proposal in this order:
 - Signature Page (page 2) (must be the front page of your proposal).
 - Addenda Acknowledgments (if any). Note: if addenda are issued, the same will be posted to the Rocky Mountain Bid Net System, as set forth on page 1 of this RFP.
 - Firm Qualifications and Experience.
 - Audit Personnel.
 - Proposed Approach to Providing the Services Requested.
 - References.
 - General Fee Statement/Schedule.

3. The proposals will be reviewed by a selection committee. The committee may request additional information from proposers or request personal interviews with one or more proposer. The weight to be given to each evaluation criterion will be determined by the selection committee. Final evaluation and selection may be based on, but not limited to, any or all of the following:
 - Information presented in the proposal.
 - Ability of the proposer to provide quality and timely products and services.
 - Service reliability and consistency of quality.
 - Qualifications and experience of the proposer.
 - References.
 - Personal interview.
 - Pricing / total cost.

During the proposal evaluation process, The City reserves the right to:

- Reject any and all proposals received as a result of this RFP.
 - Request additional information or clarification from proposal, or to allow correction of errors and omissions.
 - Adopt all or any part of the proposer's proposal.
 - Negotiate changes in the scope of work or services to be provided.
 - Withhold the award of audit engagement.
 - Select the proposer it deems to be most qualified to fulfill the needs of the City. The proposer with the lowest priced proposal will not necessarily be the one most qualified, since a number of factors other than price are important in the determination of the most acceptable proposal.
4. All proposals must be signed by an authorized agent of your firm. Any firm or individual submitting a signed proposal shall be deemed to have read and understood all of the terms, conditions and requirements of this RFP.
 5. The City shall not be liable for any costs incurred by the proposer in the preparation and production of the proposal, engagement negotiations or for any work performed prior to the signing of an engagement letter.
 6. All proposals and other materials submitted shall become the property of the City.
 7. The successful proposer shall be required to enter into a written contract with the City in the form of an Engagement Letter.
 8. Firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City of Rifle reserves the right to retain all proposals submitted and to use any ideas the request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Rifle and the firm selected. Proposals submitted, in their entirety, will be considered to be an addendum to the contract.

B. Term of Engagement

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

NATURE OF SERVICES REQUIRED

A. General

The City of Rifle is soliciting the services of qualified certified public accounting firms to audit its financial statements for the year ending December 31, 2018 with the option to audit the City of Rifle's financial statements for each of the subsequent four years. These audits are to be performed in accordance with provisions contained in this request for proposals.

B. Services

The City of Rifle is soliciting a firm to

1. Audit the financial statements of the City's governmental and business-type activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, and express an opinion as to the compliance of these statements with generally accepted accounting principles.
2. Issue a report in accordance with Government Auditing Standards on the City's internal control over financial reporting and results of testing regarding the City's compliance with provisions of laws, regulations, contracts, grant agreements, and/or other matters.

The auditor shall also be responsible for performing certain limited procedures involving supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

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 audits in the U.S. General Accounting Office's (GAO) Governmental Auditing Standards and the provisions of the federal Single Audit Act and U.S. Office of Management and Budget (OMB) Circular A-128 Audits of State and Local Governments. If applicable, the audit may also include testing or reviews as necessary to conform to Federal single audit requirements and in accordance with government auditing standards and procedures issued by the Comptroller General of the United States of America.

It is contemplated that the auditing firm will express an unqualified opinion on the financial statements. If during the performance of the audit, it appears probable that an unqualified opinion cannot be issued, the auditing firm will promptly notify the Finance Director, in writing, stating all matters which preclude the issuance of an unqualified

opinion. Additionally, the auditor shall directly contact the Finance Director should any concerns arise during the audit process which would warrant such contact.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to the City Manager and City Council, which shall be referred to in the reports on internal controls. Any changes noted by the auditors that would improve the efficiency of the City's operations shall be included in a letter to the City Manager and City Council.

The auditors shall be required to make an immediate, written report on all irregularities and illegal acts or indications of illegal acts to the City Manager and the City Council as well as any required oversight body or grantor.

D. Reporting Requirements

1. A report of examination of the financial statements stating the scope of the examination and that the audit was performed in accordance with generally accepted auditing standards (or any other appropriate standards, rules, or regulations). This report must include an opinion as to whether the statements conform to generally accepted accounting principles. A signed copy of the opinion plus a signed electronic copy will be required by the City. (Additional bound copies of the complete report may be required.)
2. If a single audit is required, a report on internal control and compliance in accordance with the standards for financial and compliance audits contained in the Standards of Audits of Government Organizations, Programs, Activities, and Functions issued by the U.S. General Accounting Office and the Single Audit Act of 1984 (as amended in 1996) provisions of OMB circular A 133 (as revised) (or any other appropriate standards, rules, or regulations). Findings of ineligible expenditures must be represented in enough detail for City management to be able to clearly understand them. A signed copy of the opinion plus a signed electronic copy will be required by the City.
3. A letter to management containing comments on compliance, recommendations for improvements, and any other comments deemed pertinent by the auditors and recommendations affecting the financial statements, internal control, accounting, accounting systems, legality of actions, other instances of noncompliance with laws and regulations, and any other material matters. A signed copy of this letter, plus a signed electronic copy will be required by the City.
4. The firm is requested to make a formal presentation on the audit by the partner in charge of the audit (or other audit staff as approved by the Finance Director) to City Council which is normally during a regularly scheduled City Council meeting mid-June.

E. 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 five (5) years, unless the firm is notified in writing by the City of Rifle of the need to extend the retention period. The auditor shall be required to make working papers available upon request to the City of Rifle as part of an audit quality review process.

In addition, the firm shall respond to reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters on continuing accounting significance.

Holscher, Mayberry & Company, LLC examined the financial statements of the City for the years ended December 31, 2002 through 2017, and rendered unqualified opinions for all years. Questions regarding prior year audit work should be addressed to Holscher, Mayberry & Company, LLC

DESCRIPTION OF THE GOVERNMENT

A. Name and Telephone Number of Contact Person

The Auditor’s principal contact with the City of Rifle will be Michelle Duran, Finance Director (970) 665-6449.

B. Background Information

The City of Rifle is a Home Rule City organized under the laws of the State of Colorado. The policies of the City of Rifle are established by the State Statutes and through ordinance and resolution by an elected seven-person City Council. The City Council appoints the City Clerk, the City Treasurer and a City Manager, who functions as the chief operating officer of the City.

More detailed information on the government and its finances can be found in the 2018 Budget document and/or the Audited Financial Statements for the year ended December 31, 2017. These documents are available on the City’s website: www.rifleco.org

C. Fund Structure

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

Fund Type

- General
- Special Revenue
- Capital Project
- Internal Service
- Enterprise

D. Budgetary Basis of Accounting

The City of Rifle prepares budgets for governmental fund types on the modified accrual basis of accounting adjusted to accrued compensated absences. Budgets for proprietary funds and non-expendable trust funds are prepared on the accrual basis modified to include debt service principal payments and capital expenditures and to exclude depreciation and amortization and adjustments for accrued compensated absences.

E. Federal and State Financial Assistance

The City of Rifle was required to have a single audit for the year ended December 31, 2016. It is not anticipated that one will be required for 2018.

F. Component Units

The City of Rifle has not identified any component units for inclusion in the City's financial statement.

TIME REQUIREMENT

A. Proposal Calendar

The following is a list of key dates relating to the proposal process:

Due date for inquiries/clarification	September 13, 2018
Due date for proposals	September 21, 2018
Approval by City Council	October 17, 2018

B. Audit Calendar

The City complies with State requirement that the annual audited financial statements be complete and filed by July 31 each year. All fieldwork must be completed by the auditor and an opinion must be issued by that date. An approximate time schedule for the audit is as follows:

Interim fieldwork: may begin in October 2018 or as soon as the engagement has been approved. It is requested for future years that fieldwork be performed between Oct. 1 and Dec. 31.

Post closing fieldwork may begin in March and must be completed by May 15th.

All audit adjustments must be communicated to the Finance Director by the end of fieldwork. Copies of working papers which support proposed adjustments to the entity's books shall be provided to the Finance Director before the end of post closing fieldwork.

Draft of the Management Letter and Single Audit reports (if applicable) are due to the City by June 15th. Final Management Letter, Single Audit reports are due to Finance staff by June 30th.

The Audit firm's presentation of the audit report to City Council is anticipated to be made on the second or third Wednesday in June.

FIRM'S QUALIFICATIONS: The successful firm will be a firm with considerable experience in local government auditing. The firm will have sufficient depth of staff to provide technical expertise in related advisory areas, including taxation and internal control. The firm will have the ability to provide consulting services in a variety of areas which may be arranged through separate engagements.

- A. **Audit Personnel:** The successful firm will assign personnel to the engagement that has considerable expertise in local government auditing. The firm will have low turnover, so that staffing is consistent from year-to-year. Audit staff will receive sufficient training to keep apprised of current governmental accounting issues.

- B. **Approach to Audit:** A planning conference will be held between the audit firm and City Finance staff prior to the start of fieldwork each year. This conference should include the discussion of key audit issues, audit staffing, City staffing, scheduling and dates for audit work, audit work papers and any other areas of concern by either party. Communication of the status of audit through periodic meetings or other means during and after the completion of fieldwork is required. An exit conference will be conducted at the completion of the audit each year to discuss and plan around any problems that occurred during the audit.

The firm will clearly express what it needs from the City and provide the City with sufficient time to provide materials and data. The firm will have a mechanism for promptly apprising the Finance Director of issues arising during the course of an audit. The firm will advise the Finance Director of compliance comments and recommendations for improvements during the course of performing fieldwork. Compliance comments and recommendations for improvement will be provided to the Finance Director in final form within ten days of notation and must be resolved through discussion with the Finance Director prior to close of field work. Any comments contained in the Management Letter will provide sufficient background, detail and documentation of fact to support each finding and to enable the City to undertake corrective action without need for further consultation. The City expects that comments and recommendations contained in the Management Letter will incorporate the reply of City management for each finding.

The successful firm will provide all services indicated in this RFP on or before the time frame indicated in this RFP, or within the time frame agreed upon by the City. The

assigned audit team will be large enough so that the audit can be completed in a minimum of onsite time but will not be so large as to create an undue burden on the Finance staff.

ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

The City of Rifle will be available during the audit to assist the audit firm by providing information, documentation, explanations and agreed upon schedules. The firm will provide a list of confirmations and will provide an example format from which the City will prepare the letters.

The City's Finance Director will coordinate the audit process and will be available to explain the City's various systems. Systems documentation will be the responsibility of the audit firm. The City has no internal audit staff.

The City will prepare working trial balances, an accounts payable list, bank reconciliations, investment reconciliations, debt worksheets, fixed asset records, and reconciliations of other asset and liability accounts. Any additional schedules that the audit firm would like City staff to provide should be identified in the firm's proposal.

The City anticipates that substantially all schedules will be completed by the start of the interim and year-end fieldwork, as appropriate.

The City will provide all reasonable assistance to the selected firm and will respond promptly to requests for information, provide all necessary books and records, and provide the physical facilities needed for the audit engagement. All City records must be audited on site.

The City will provide the auditor with reasonable workspace. The auditor will also be provided access to telephones, photocopying, internet and FAX machine facilities.

PROPOSAL REQUIREMENTS

The following material is required to be received by 1:00 p.m. on September 21, 2018 for a proposing firm to be considered.

REQUIRED RESPONSES

Please provide the following information with your proposal.

Please address the following information in the following order as succinctly as possible to facilitate the evaluation and selection process.

Firm Qualifications:

1.1 State the firm's qualifications to perform the City's audit, including an affirmative statement that the firm is, in fact, independent of the City and is licensed by the State of Colorado to perform such auditing services.

1.2 Demonstrate the firm's commitment to stay current with government accounting issues, to providing quality audit and advisory service.

1.3 Describe services to be provided by the firm and provide an estimate of what portion of the firm's business is derived from performing municipal audits.

1.4 Specify the size, composition and location of the firm's office from which the staff working on the audit are based.

1.5 Provide a list of governmental entities in Colorado that have been audited by the firm during the last seven years, the dates of the audit engagement and the names and telephone numbers of the current key contact persons at the entity. Firms with less than seven years' local government experience will not be considered.

1.6 Provide a statement of firm's expertise in and professional involvement with the GFOA Certificate of Achievement for Excellence in Financial Reporting program.

1.7 Specify the date of the firm's last peer review and provide a copy of the firm's most recent peer review letter.

1.8 Provide the nature and status of any and all disciplinary actions undertaken against the firm.

1.9 Detail other firm qualifications and experience. Present any additional information, which you feel distinguishes your firm, not including general information publications, brochures and handouts that are redundant with information already provided.

2. Audit Personnel

2.1 Provide brief resumes of the key individuals who will be assigned to this engagement. Include any areas of specialization likely to be of particular interest or concern of the City, including information technology, municipal experience, governmental accounting and auditing, continuing professional education and current municipal audit assignments.

2.2 Estimate staffing needs, including estimated hours by position and rate for the first year of the audit and the next four years.

2.3 Comment on the continuity and qualifications of the staffing for future year audits.

2.4 Estimate availability of qualified staff to provide auditing services within the timeframes provided in this RFP.

3. Approach to the Audit

3.1 Provide an outline of the services that you would propose to offer and philosophy of the firm's audit approach, including approach to the management letter and internal control evaluation.

3.2 Provide an estimated time schedule for setting up and completing the audit, including estimate of time spent onsite for both the interim and year-end fieldwork. The work plan should include time estimates for each significant segment of work and the number and level of staff assigned. Where possible, individual staff members should be named and their titles provided.

3.3 Provide samples of planning memorandums and timelines, schedule of documents to be provided by the City, working papers and management letters.

4. References

4.1 Provide references from at least three audit clients with similar requirements that have been completed during the past three years, identifying the work performed, the years for which work has been completed, reference contact names and phone numbers.

5. General Fee Statement/Schedule (Exhibit A)

5.1 Provide separate total "Not-to-Exceed" amounts for each year of the 2018 through 2022 audits. It is currently unknown whether the City will be required to have a Single Audit for fiscal years 2019 through 2022. Please provide a "Not-to-Exceed" amount for the financial statement audit only, and a separate "Not-to-Exceed" amount for the cost to perform a Single Audit.

BID PRICE

The bid price of audit services for the year ended December 31, 2018 should contain all pricing information relative to performing the audit engagement described in this request

for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

In addition, firms submitting proposals should indicate current billing rates for all staff positions in case it becomes necessary for the City to request additional services from the selected firm.

Each firm must submit an engagement letter, with the proposal, stating the bid price for performing the 2018 audit. Subsequent years engagement letter will be based on the terms stated in the Terms of Engagement section cited in the General Information portion of this request for proposal.

Sample Exhibit A

Cost Proposal

Cost to provide all services per the Scope of Work:

	FY 2018	FY 2019	FY 2020	FY 2021
Financial Audit	\$	\$	\$	\$
Single Audit	\$	\$	\$	\$
TOTAL	\$	\$	\$	\$

Questions for City of Rifle Audit RFP:

What is the reason for the change in auditors? City council requested a change, believing it would be good practice since we have had the same auditors for longer than 10 years.

What software does the City use? Caselle

Timing and personnel of previous auditors: 2 auditors approx. 4 days, 2 days or so with partner.

Did previous auditors also draft the financial statements, and is that expected? Yes, they did. That decision going forward can be agreed upon.

What did the City like about their prior auditors? Brief fieldwork, requests for documents made before fieldwork, accessibility for questions outside of the audit.

What was the audit fee for calendar year ending December 31, 2017? \$13,250

When has your auditor traditionally done fieldwork? Mid-March

Was a management recommendation letter issued? If so, may we be provided a copy? None issued.

Have any new bonds been issued in 2018? No.

Any expected issues with TABOR for 2018? No

Does the City draft their own financial statements? Not historically.

Does the City maintain Government Wide general ledger accounts? (traditionally what we have seen is a government will have '999' accounts used for these type of accounts). No.

Under the Checklist of information that must be included in the proposal, it says "a Signature Page (page 2) must be the front page of the proposal". Do you have a specific form we should use? Error, please ignore.

Does the City plan to submit a CAFR to the GFOA for a certificate? No.

What was the nature of audit adjustments in the previous year, if any? Accruals, adjustments to inventory.

Has the City had any turnover of key administrative personnel or accounting staff in the past 2 years? Is there turnover expected in the next year? New Finance Director October 2017, was previously the Sr. Accountant. New payroll acct 8/2017. Several changes in City Manager, from interim to permanent in 2018.

Has the City had any internal control findings (significant deficiencies or material weaknesses) reported in the last two years, and if so, what was the nature of the findings and have they been resolved? No findings.

Has the City had any instances of fraud in the last two years? If so, how has it been resolved? None.

Have there been any changes in accounting software used by the City in the past year? Are any changes expected in the coming year? Same since 2008, no change expected.