

CITY OF SAN RAMON



REQUEST FOR PROPOSAL FOR AUDIT SERVICES

Return Proposals to:

Greg Rogers, Administrative Services
Director
City of San Ramon
2228 Camino Ramon
San Ramon, CA 94583

Proposals Due: February 4, 2010

CITY OF SAN RAMON

REQUEST FOR PROPOSAL FOR AUDIT SERVICES

I. INTRODUCTION

The City of San Ramon (the “City”) is seeking proposals from qualified firms to provide audit services. A description of the required services is included in Section III.

BACKGROUND

The City of San Ramon is located in the East Bay Area of Northern California and has a population of approximately 63,000 and an annual budget of approximately \$75 million.

The City currently contracts for audit services and has not bid these services in six years. The City has made it a practice to re-bid audit services contracts approximately every five years.

II. PROPOSAL PROCEDURES

A. SCHEDULE OF PROPOSAL

Issue RFP:	December 23, 2009
Written Questions Due:	January 11, 2010
Responses to Questions:	January 18, 2010
Proposals Due:	February 4, 2010
Preliminary Evaluation:	February 10, 2010
Oral Presentations (as needed):	February 2010

It is the intent of the City to finalize negotiations by March 2010 and implementation to begin April 2010.

B. PREPARATION OF PROPOSAL

Each proposal should be prepared simply and economically avoiding the use of elaborate promotional materials beyond what is sufficient to provide a complete, accurate, and reliable presentation. For ease of review, the proposals should follow the outline in Section III of this Request for Proposal (RFP). Each response should be clearly numbered and the full question listed.

C. NUMBER OF PROPOSAL COPIES

Six (6) copies of the proposal should be submitted.

D. SUBMISSION OF PROPOSALS

Questions regarding the scope of work shall be submitted to:

Eva Phelps, Finance Division Manager
City of San Ramon
2228 Camino Ramon
San Ramon, CA 94583
Telephone: (925) 973-2514
Fax: (925) 866-1436
ephelps@sanramon.ca.gov

Questions regarding the insurance requirements or contract questions shall be submitted to:

Pat Perry, Central Services Division Manager/Contract Administrator
City of San Ramon
2228 Camino Ramon
San Ramon, CA 94583
Telephone: (925) 973-2504
Fax: (925) 866-1436
pperry@sanramon.ca.gov

Proposals shall be delivered to:

City of San Ramon
Attention, Greg Rogers, Administrative Services Director
2228 Camino Ramon
San Ramon, CA 94583

All proposals must be delivered to the above office on or before February 4, 2010 at 5:00 PM Pacific Standard Time (PST). **Proposals received after the above date and time will not be considered.** The City is under no obligation to return proposals.

Any unauthorized contact with any other official or employee in connection with this RFP is prohibited and shall be cause for disqualification of the proposer.

E. TIME AND LOCATION OF PROPOSER'S PRESENTATION

Selected proposers may be requested to provide in-person presentations. Those proposers will be notified to arrange specific times.

F. EFFECTIVE PERIOD OF PROPOSALS

All proposals must state the period for which the proposal shall remain in effect (i.e. how much time does the City have to accept or reject the proposal under the terms proposed). Such period shall not be less than one hundred eighty (180) days from the proposal date.

G. BID RESERVATIONS

The City reserves the right to:

- Reject any or all quotations or proposals received in response to this RFP;
- Request clarification from any proposer on any or all aspects of its quotation or proposal;

- Waive informalities contained in proposals which are not consistent with law;
- Waive any minor defects in the proposal;
- Cancel and/or reissue this RFP at any time;
- Retain all quotations or proposals submitted in response to this RFP; and
- Invite some, all, or none of the proposers for interviews and further discussion.

H. CONTRACT NEGOTIATIONS

After a review of the proposals, and in-person presentations, the City intends to enter into contract negotiations with the selected audit firm reasonably susceptible of award. These negotiations could include all aspects of services and fees.

I. AWARD OF CONTRACT

The City reserves the right to award by items, groups of items, or as a whole, whichever is deemed most advantageous to the City.

The selected firm shall be required to enter into a written contract with the City for audit services in a form approved by legal counsel for the City. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. The City reserves the right to negotiate the terms and conditions of the contract with the selected proposer.

J. CONTRACT TERM

It is the intent of the City to award the contract for an initial three (3) year period with the option to renew it for two (2) additional one (1) year periods at the sole discretion of the City.

Proposers are being asked to agree to fix contract fees for at least the first three (3) years.

K. CANCELLATION

If the services to be performed hereunder by the proposer are not performed in an acceptable manner to the City, the City may cancel this contract for cause by providing written notice to the proposer, giving at least thirty (30) days notice of the proposed cancellation and the reasons for same. During that time period, the proposer may seek to bring the performance of services hereunder to a level that is acceptable to the City, and the City may rescind the cancellation if such action is in City's best interest. Notwithstanding the above provisions, the City may, upon the expiration of thirty (30) days written notice to the Contractor, terminate the

agreement at will. Payment for services or goods received prior to termination shall be made by the City provided those goods or services were provided in a manner acceptable to the City. Payment for those goods and services shall not be unreasonably withheld.

L. USE OF SUB-CONTRACTORS

The intent to use sub-contractors to perform any portion of the work described in this request for proposal must be clearly stated in your response. Your response must include a description of what portion(s) of the work will be sub-contracted out, and the names and addresses of potential subcontractors.

M. INSURANCE REQUIREMENTS

The proposer must procure and maintain insurance in accordance with the requirements of the City of San Ramon. Insurance Requirements are as noted below. Cost of such insurance is the proposer's responsibility.

1. Insurance. CONTRACTOR shall procure, prior to commencement of service, and keep in force for the term of this Agreement, the following policies of insurance, certificates, or binders as necessary to establish that the coverage described below is in place with companies licensed to do business in California. If requested, CONTRACTOR shall provide CITY with copies of all insurance policies. The insurance coverage shall include:

- A. Commercial General Liability Insurance. Commercial General Liability insurance, including but not limited to, bodily injury, broad form property damage, contractual liability and, if necessary, products and completed operations or owners and CONTRACTOR protective liability. The policy shall contain a severability of interest clause or cross liability clause or the equivalent thereof.

Coverage afforded CITY shall be primary insurance. Any other insurance available to CITY under any other policies shall be excess insurance. Limits of liability shall include the following:

- (1) Bodily injury, two million dollars (\$2,000,000)
- (2) Property damage, two million dollars (\$2,000,000) or
- (3) Combined single limit (CSL) for bodily injury and property damage, two million dollars (\$2,000,000) per accident for bodily injury and property damage.

If the policy is a "claims made" policy, the following endorsements shall be included:

- (1) The retroactive shall be the effective date of this Agreement or a prior date.
- (2) The extended reporting or discovery period shall be not less than thirty-six (36) months.

B. Automobile Liability Insurance. Automobile liability insurance, including all owned, non-owned and hired automobiles used by the CONTRACTOR or its agents in the performance of this Agreement shall have a minimum combined single limit of one million dollars (\$1,000,000) for bodily injury and property damage.

C. Worker's Compensation Insurance. Worker's Compensation insurance as required by the laws of the State of California including statutory coverage for Employers Liability with limits not less than one million dollars (\$1,000,000).

CONTRACTOR is aware of provisions in the California Labor Code, which require every employer to provide Worker's Compensation coverage, or to self-insure in accordance with provisions of that Code. CONTRACTOR shall comply with those provisions before commencing work hereunder and throughout the term of this Agreement. Likewise, CONTRACTOR shall require all of its subcontractors to comply with those provisions.

D. Professional Liability Insurance. Professional liability (errors and omissions) insurance is required in the amount of two million dollars (\$2,000,000) per claim and in the aggregate for two (2) years beyond completion of this Agreement.

2. Additional Insurance Provisions. The following additional provisions apply to the insurance coverage required as indicated in Section N above.

A. Additional Insured. CONTRACTOR shall name CITY, its Councilmembers, officers, agents, and employees as additional insured in the aforementioned Comprehensive Commercial General Liability and Automobile Liability policies. If CONTRACTOR submits the ACORD Insurance Certificate, the additional insured endorsements must be set forth on CH20 10 11 85 (or more recent) form and/or CA 20 48 form.

B. Notice of Cancellation. The policies shall provide for thirty (30) days written notice to CITY prior to cancellation, termination or material change in coverage.

C. Certificate Holder. The certificate holder shall be the same person

and have the address as indicated in Paragraph 19 (Notices) of the final Agreement.

- D. Insurance Rating. Insurers shall have current A.M. Best's rating of not less than A:VII, shall be licensed to do business in the State of California, and shall be acceptable to the CITY.
- E. Replacement Coverage. In the event CONTRACTOR breaches any of the insurance provisions of this Agreement, CITY shall have the option to obtain, at CONTRACTOR'S expense, the coverage required hereunder. The cost of obtaining and maintaining such coverage may be deducted from any sums otherwise payable to CONTRACTOR for services under this Agreement.
- F. Interpretation. All endorsements, certificates, forms, coverage and limits of liability referred to herein shall have the meaning given such terms by the Insurance Services Officer of the State of California as of the effective date of this Agreement.

N. ASSIGNMENT OF CONTRACT

The proposer shall not assign or subcontract any portion of the Contract without the express written consent of City. Any purported assignment or subcontract in violation hereof shall be void. It is expressly acknowledged that City shall never be required or obligated to consent to any request for assignment or subcontract; and further that such refusal to consent can be for any or no reason, fully within the sole discretion of City.

O. ATTORNEY'S FEES; VENUE; and GOVERNING LAW

If either party commences any legal action against the other party arising out of this Agreement or the performance thereof, the prevailing party in such action; shall be entitled to recover its reasonable litigation expenses, including but not limited to; court costs, expert witness fees, discovery expenses, and attorneys' fees. Any action arising out of this Agreement shall be brought in Contra Costa County, California, regardless of where else venue may lie. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

P. ABILITY TO MEET OBLIGATIONS

The proposer affirmatively states that there are no actions, suits or proceedings of any kind pending against proposer or, to the knowledge of the proposer, threatened against proposer before or by any court, governmental body or agency or other tribunal or authority which would, if adversely determined, have a materially adverse effect on the authority or ability of proposer to perform its

obligations under this Contract, or which question the legality, validity or enforceability hereof or thereof.

Q. UNDUE INFLUENCE

The proposer declares and warrants that no undue influence or pressure is used against or in concert with any officer or employee of the City in connection with award or terms of the Contract that will be executed as a result of this RFP, including any method of coercion, confidential financial arrangement, or financial inducement. No officer or employee of the City will receive compensation, directly or indirectly, from the proposer, or from any officer, employee or agent of the proposer, in connection with award of the contract or any work to be conducted as a result of this RFP. Violation of this section shall be a material breach of the Contract entitling the City to any and all remedies by law or in equity.

R. NON-DISCRIMINATION

The City maintains various policies related to contractual service providers. Among these is an anti-discrimination policy which requires that our contractors not discriminate in hiring on the basis of gender, race, religion, sexual orientation, or medical condition. Upon acceptance of a proposal, the City may request the selected proposer sign a statement affirming their compliance with this policy.

S. COMPLIANCE

Proposer warrants that both in submission of its proposal and performance of any resultant purchase order or contract, proposer will comply with all applicable Federal, State, local, and City laws, regulations, rules, or ordinances.

T. INCURRED EXPENSES

The proposer, by submitting a proposal, agree that any cost incurred by responding to this RFP, or in support of activities associated with this RFP, shall be borne by the proposer and may not be billed to the City. The City will incur no obligation of liability whatsoever to anyone resulting from issuance of, or activities pertaining to this RFP.

III. INFORMATION REQUESTED

A. QUALIFICATIONS AND EXPERIENCE – All proposers must provide this information.

1. Provide a general overview and brief history of your organization.
2. Provide the address of the office location(s) that will service the City's account.
3. Describe the experience of the firm in providing audit services for governmental entities.

B. PERSONNEL – All proposers must provide this information.

1. Provide the name, title, address, phone number, fax number and email address of the primary contact person(s) assigned to this account.
2. For each key person, show the number of years of experience in this field and the number of years with your firm.

C. SCOPE OF SERVICES

The City of San Ramon desires a Comprehensive Annual Financial Report (CAFR) and its component unit financial statements for the San Redevelopment Agency to be prepared by the independent auditor and be fully compliant for GASB 34 and GASB 45 for the fiscal year ended June 30, 2010 and two (2) subsequent fiscal years thereafter, with an option to extend the contract in one (1) year periods, not to exceed a total of two (2) additional fiscal years. The City will be planning to submit the CAFR to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting program.

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 San Ramon. 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 and word processed by the audit firm.** The CAFR will be in full compliance with GASB 34. 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 audit firm will conduct a financial and compliance audit of the San Ramon Redevelopment Agency. The compliance audit shall include the provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller. The auditors shall prepare GASB 34 compliant component unit financial statements for each year of the engagement.

2. The audit firm may perform a single audit on the expenditures of federal grants in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the City's financial statements in accordance with *Government Auditing Standards* and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133. The single audit report will include 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. If the City does not meet the minimum requirements to necessitate a single audit, the fees shall be adjusted accordingly.
3. 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.
4. 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 Administrative Services Director.
5. Periodically, the City receives Transportation Development Act (TDA) funds (Article 3 Bikeway Program) from the Metropolitan Transportation Commission for bicycle and pedestrian improvements. Whenever such funds are received (or expended by the City) an audit is required. The City did not incur any expenditures during the past fiscal year. However, if funding is received during the contract period, an audit of the TDA activity will be required including an opinion of fair presentation in accordance with GAAP and compliance with applicable program guidelines.

Auditing Standards to be followed

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

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accounts;
2. The standards set forth for financial audits in the General Accounting Office's (GAO) Government Auditing Standards;
3. The provisions of the Single Audit Act as amended in 1996; and
4. The provisions of U. S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations; and
5. Applicable laws, rules and regulations of the Transportation Development Act (TDA).

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 San Ramon of the need to extend the retention period. The auditor will be required to make working papers available to the City of San Ramon 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

Reports to be Issued

Following the completion on the audit of the fiscal year's financial statements, the auditor shall issue:

1. Independent Auditor's Reports for a) the City b) Redevelopment Agency - reports of the fair presentation of the financial statements in conformity with generally accepted accounting principles, including GASB 34, based upon audits of the Basic Financial Statements of the City. The other supplementary information listed in the Table of Contents in the City's CAFR, including combining schedules and additional budgetary comparison schedules, are not a required part of the basic financial statements. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules. The information presented shall be based on the auditing procedures applied during the audits of these basic financial statements.
2. Management and SAS 114 Letters, which includes findings, statements, observations, opinions, comments, or recommendations, related to:
 - a. Systems of internal control based upon the auditors' understanding of the control structure and assessment of control risk

- b. Compliance with applicable laws and regulations
 - c. Accounting systems, functions, procedures and processes, especially with regard to cost effectiveness
3. Single Audit Report of Federal Financial Assistance.
 4. Agreed Upon Procedures Performed Related to the calculation of the Gann Appropriations Limit.
 5. City and Redevelopment Agency Financial Transaction Report to the State Controller.
 6. State-Local Transportation Partnership Program as administered by the State of California Department of Transportation (SLTPP)

Number of Copies of Report to Be Produced

1. CAFR – 30 bound copies, 1 unbound copy and 1 *PDF* file
2. Management and SAS 114 letter – 10 copies and 1 *PDF* file
3. Gann Limit – 10 copies and 1 *PDF* file
4. Single Audit, if applicable – 10 reports, 1 unbound copy and 1 *PDF* file
5. MTC-TDA Audit, if applicable – 10 reports, 1 unbound copy and 1 *PDF* file
6. SLTPP, if applicable - 10 reports, 1 unbound copy and 1 *PDF* file
7. City's and Redevelopment Agency Report to the State Controller, 1 unbound copy and 1 *PDF* file

Internal Control and Compliance Reports

In the required reports on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report on internal controls. The reports on compliance shall include all instances of noncompliance. 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 Manager

- Administrative Services Director
- City Attorney

Auditors shall assure themselves that the City is informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

Other

1. Describe the firm's methodology and timing for: conducting interim field work, final field work, draft financial statements, communicating with elected officials, production of financial statements. The City desires to have draft reports completed by mid-November and the Comprehensive Annual Financial Report published by mid-December. Please provide a proposed work schedule/calendar to achieve that result.
2. Describe the firm's experience providing focused special purpose audits such as "Reviewing clients' internal controls for cash management".
3. Describe the firm's experience providing detailed audit plans for clients.

D. CONTROL – All proposers must provide this information.

1. Describe the types of insurance and bonding carried.

E. PRICING AND ACCOUNT ANALYSIS – All proposers must provide this information.

1. Provide a complete fee schedule for all of the services described in your proposal using the format shown on Appendix A-C.
2. Is your firm willing to guarantee the proposed fees for the entire term of the contract (up to three (3) years)? If not, for how long are the fees guaranteed?

G. REFERENCES - All proposers must provide this information.

Provide names, addresses and phone numbers of at least five references (local governments and public agency references), which are currently using the services for which you are proposing. Select a mix of long-standing and recent customers.

H. SAMPLE CONTRACT - All proposers must provide this information.

Provide a sample of a proposed contract for your firm's services. At the sole option of City, the City's standard professional services agreement may be used.

IV. EVALUATION AND AWARD CRITERIA

This RFP seeks firms to provide audit services to the City. Selection will be made from a short list of proposers deemed to be fully qualified and best suited among those submitting proposals on the basis of the evaluation factors listed below (not in priority order):

- Understanding of the needs and operation requirements of the City.
- The experience, resources, and qualifications of the firm and individuals assigned to this account.
- Relevant experience managing similar account relationships with public institutions and agency clients.
- Scope of services offered.
- Compliance with the requirements of this RFP and quality of proposals. This includes completeness of response to the RFP.
- Proposed fees and compensation. (Although fees and compensation will be an important factor in the evaluation of proposals, the City is not required to choose the lowest bidder.)

APPENDIX A

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SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

FOR THE AUDIT OF THE JUNE 30, 2010-2012 FINANCIAL STATEMENTS

BASIC REPORTS TO BE ISSUED IF APPLICABLE

Description	Year Ended June 30 th		
	2010	2011	2012
City Audit, including CAFR, Letter of Internal Controls, and Gann Limit			
Redevelopment Agency			
Single Audit Act Report			
MTC/TDA Program Audit			
Annual Report of City Financial Transactions to State Controller			
Annual Report of Redevelopment Agency Financial Transactions to State Controller			
State-Local Transportation Partnership Program			
Total			

In addition, please include below an hourly fee quotation and hours proposed for all positions to be assigned to audit:

	Hours	Hourly Rate
Partners		
Managers		
Supervisory Staff		
Professional Staff		
Clerical/Support Staff		
Other (Specify)		