

Solicitation 379-09

Professional Auditing Services



City of Garland

Bid 379-09 Professional Auditing Services

Bid Number 379-09
Bid Title Professional Auditing Services

Bid Start Date May 22, 2009 8:36:45 AM CDT
Bid End Date Jun 23, 2009 3:00:00 PM CDT
Question & Answer End Date Jun 16, 2009 12:00:00 PM CDT

Bid Contact Carol J Cooper

Contract Duration 1 year
Contract Renewal 4 annual renewals
Prices Good for Not Applicable
Pre-Bid Conference Jun 2, 2009 10:00:00 AM CDT
Location: Austin State Room
200 N. Fifth St.
Garland, TX 75040

Standard Disclaimer The right is reserved to accept or reject all or part of the bid, and to accept the offer considered most advantageous to the City by item or total bid. The City of Garland will award to the lowest responsible bidder or to the bidder who provides goods or services at the best value to the City.

Bid Comments All questions must be posted on Bidsync website.

This RFQ is exempt from any transaction fee.
Added on Jun 2, 2009:
Line item #1 has been changed - no price requested.

Changes made on Jun 2, 2009 8:18:16 AM CDT

Changes were made to the following items:
[Professional Auditing Services, per COG Spec.](#)
[Professional Auditing Services, per COG Spec.](#)

Item Response Form

Item 379-09-1-01 - Professional Auditing Services, per COG Spec.
Quantity 1 lot
Prices are not requested for this item.
Delivery Location City of Garland
[Purchasing Dept](#)
200 N Fifth St
Garland TX 75040
Qty 1

Description
none

Changes made on Jun 2, 2009 8:18:16 AM CDT

Previous Title	New Title	Professional Auditing Services, per COG Spec.
Added Item		

City of Garland, TEXAS

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CITY OF GARLAND, TEXAS
REQUEST FOR QUALIFICATIONS

I. INTRODUCTION

A. General Information

The City of Garland is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending September 30, 2009, with the option of auditing its financial statements for each of the four (4) subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S Government Accountability Office's (GAO) *Government Auditing Standards* (January 2007 Revision), the provisions of the federal Single Audit Act of 1984 (and subsequent amendments) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (*Revised to show changes published in the Federal Register June 27, 2006*).

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

An **optional pre-proposal conference** for all the firms interested in submitting a proposal will be held at 10:00 am on Tuesday, June 2, 2009 at 200 N. Fifth Street, Garland, Texas, 75040 in Austin State Room, 1st Floor to answer questions about the engagement. Minutes of the pre-proposal conference will be posted on BidSync by Thursday, June 4, 2009. After this pre-proposal conference, any inquiries concerning the request for proposals should be processed through BidSync by 12:00 pm June 16, 2009.

To be considered, four (4) copies of a proposal must be received by

City of Garland, Purchasing Department
Room 203, 2nd Floor-City Hall, 200 North Fifth Street
P. O. Box 469002
Garland, TX 75046-9002
Proposal #379-09

The City of Garland reserves the right to reject any or all proposals submitted.

Proposals submitted will be evaluated by a three (3) member Audit Proposal Review committee. Recommendations of the top firms will be made to the City's Audit Committee.

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

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

B. Term of Engagement

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

C. Subcontracting

Firms submitting proposals are encouraged to consider subcontracting portions of the engagement to small audit firms or audit firms owned and controlled by historically underutilized businesses (HUB). If this is to be done, that fact, and the name of the proposed subcontracting firms, must be clearly identified in the proposal. Following the award of the audit contract, no additional subcontracting will be allowed without the express prior written consent of the City.

II. NATURE OF SERVICES REQUIRED

A. General

The City is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending September 30, 2009, with the option to audit the City's financial statements for each of the four (4) subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work to be Performed

The City desires the auditor to express an opinion on the fair presentation of its governmental activities, its business-type activities, its aggregate discretely presented component units, each of its major funds, and its aggregate remaining fund information in conformity with generally accepted accounting principles.

The auditor is not required to audit the combining and individual fund financial statements and supporting schedules. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements. The auditor is not required to audit the introductory section of the report or the statistical section of the report.

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

The auditor is not required to audit the schedule of expenditures of federal awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

C. Auditing Standards to be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepting auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. Government Accountability Office's *Government Auditing Standards* (January 2007 Revision), the provisions of the Single Audit Act of 1984 (and subsequent amendments) and the

provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Revised to show changes published in the Federal Register June 27, 2006).

D. Reports to be issued

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

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements.
2. A report on compliance and internal control over financial reporting based on an audit of the financial statements (Management Letter).
3. A report on compliance and internal control over compliance applicable to each major federal program.
4. A report on the adequacy of the net earnings of the Electric, Water, and Sewer systems to meet the revenue bond debt service coverage as required, to issue additional bonds.
5. A report on applying agreed upon procedures included in subchapter K of 31 Texas Administrative Code, chapter section 330.285(g), as it relates to the financial test to demonstrate financial assurance associated with the City's landfills and transfer station.

The auditor shall communicate in a letter to management any significant deficiency, material weakness, or other control deficiency found during the audit. A *control deficiency* shall be deemed to have occurred whenever the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* shall be defined as a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A *material weakness* shall be defined as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Significant deficiencies that are also material weaknesses

shall be identified as such in the report.

The reports on compliance and internal controls shall include all instances of noncompliance.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the Chairman of the City's Audit committee, City Manager, City Attorney, City Auditor, and Managing Director of Financial Services.

Reporting to the audit committee. Auditors shall assure themselves that the City's audit committee 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. Auditor's judgments about the quality of the entity's accounting principles
6. Other information in documents containing audited financial statements
7. Disagreements with management
8. Management consultation with other accountants
9. Major issues discussed with management prior to retention
10. Difficulties encountered in performing the audit

E. Special Considerations

1. The financial statements of the Garland Housing Finance Corporation, Garland Health Facilities Development Corporation and Garland Economic Development Authority are included as component units of the financial statements of the City and these component units do not issue separate financial statements.
2. The City will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and

Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will not be required to provide special assistance to the City to meet the requirements of that program.

3. The City currently anticipates it will prepare one or more official statements in connection with the sale of debt securities which will contain the general purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the financial advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."
4. The City has determined that the United States Department of Housing and Urban Development will function as the oversight agency in accordance with the provisions of the Single Audit Act of 1984 (as amended in 1996) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
5. The Schedule of Expenditures of Federal Awards and related auditor's report, as well as the reports on compliance and internal controls are not to be included in the comprehensive annual financial report, but are to be issued separately.
6. The City's Electric Utility executes contracts to purchase electric and natural gas to generate electricity. Management believes that the purchase of the electricity and natural gas under these contracts are non-speculative in nature.

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of seven (7) years from the report issue date, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

The City of Garland

U.S. Department of Housing and Urban Development

U.S. General Accounting Office (GAO)

Parties designated by the federal or state government or by the City

as part of a quality review process

Auditors of entities of which the City is a sub recipient of grant funds

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.

G. Contract Incorporation

Proposers shall be aware that the contents of the successful proposal will become a part of any subsequent contractual document that may arise from this RFP. Failure of a proposer to accept this condition may result in proposal rejection.

The auditor shall, at their own expense, maintain in full force and effect during the initial year of and any subsequent years of the contract and for a minimum of one year following completion of work performed under such contract, professional liability insurance in the amount of \$1,000,000. The required insurance shall be written with a company or companies approved by the Texas Department of Insurance to transact business in the State of Texas and acceptable to the City Risk Manager. The auditor shall provide a signed copy of the City of Garland Contractor Insurance Requirements and Agreement Form with their proposal (Appendix H). In addition the auditor shall provide the City a certificate or certificates of insurance evidencing the required insurance prior to commencement of work on the project for which the contract is made.

H. Budget to Actual Comparison

The successful auditor shall provide at the City's request, comparisons of budgeted to actual hours and rates by audit area and staff level beginning with interim work and ending with the final report. The auditor shall provide a final comparison of budgeted hours and rates to actual hours by audit area and staff level at the completion of the annual audit engagement.

III. DESCRIPTION OF THE GOVERNMENT

A. Background Information

The City serves an area of 57 square miles with a population of 226,144. The City's fiscal year begins on October 1, and ends on September 30.

The City provides the following services to its citizens:

General Government, Public Safety, Public Works, Parks and Recreation, Public Health, and Electric, Water, and Sewer Utilities

The City has a total payroll of \$144,322,073 covering approximately 2200 employees.

The City is organized into 51 departments and agencies. The accounting and financial reporting functions of the City are centralized

More detailed information on the government and its finances can be found in the City's

CAFR

http://www.ci.garland.tx.us/Home/Departments/City+Administration/Financial+Services/Accounting/A04+CAFR_Accounting+landing.htm

Annual Operating Budget

http://www.ci.garland.tx.us/Home/Departments/City+Administration/Budget/B05+Annual+Operating+Budget_landing.htm

CIP Budget

http://www.ci.garland.tx.us/Home/Departments/City+Administration/Budget/B06+Capital+Improvement+Program_landing.htm

B. Fund Structure

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

<u>Fund Type</u>	<u>Number of Individual Funds</u>	<u>Number With Legally Adopted Annual Budgets</u>
Major Funds		
General Fund - Governmental	1	1
Debt Service – Governmental	1	1
Capital Projects – Governmental	1	
Electric – Business	1	
Water – Business	1	
Sewer – Business	1	
Non-Major Funds		
Governmental	14	3
Enterprise	5	
Internal Service	9	
OPEB Trust Fund	1	

C. Basis of Budgeting

The City budgets on a basis consistent with generally accepted accounting principles.

D. Federal and State Awards

See the Single Audit Reports in Appendix C.

E. Pension Plans

The City participates in the Texas Municipal Retirement System (TMRS), a multi- employer defined benefit plan administered by the State of Texas.

F. Component Units

The City is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board'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 for inclusion in the City's financial statements:

Garland Housing Finance Corporation – Provides financing for residential housing ownership and development; fiscal year ends September 30.

Garland Health Facilities Development Corporation – Provides tax-exempt revenue bond financing for eligible health-related businesses in the City; fiscal year ends September 30.

Garland Economic Development Authority – Provides tax-exempt revenue bond financing for eligible businesses locating or expanding in the City; fiscal year ends September 30.

These component units are audited as part of the audit of the City's financial statements.

The management of the City has determined that the following potential component units should not be included in the City's financial statements for the following reasons:

Potential Component Unit

Reason for Exclusion

Garland Cultural Arts Commission

Immaterial to the City's

Financial Statements

G. Joint Ventures

The City participates in one joint ventures with other governments.

<u>NAME OF JOINT VENTURE</u>	<u>NAME OF OTHER PARTICIPATING GOVERNMENT(S)</u>	<u>TYPE OF SERVICES PROVIDED</u>
Texas Municipal Power Association	City of Bryan, Texas City of Denton, Texas City of Greenville, Texas	Electric Power Generation

The City does not own an equity interest in this joint venture.

H. Magnitude of Finance Operations

The finance department consists of 24 employees. The principal functions performed and the numbers of employees assigned to each function are as follows:

<u>Function</u>	<u>Number of Employees</u>
Administration	2
Accounting	14
Treasury Management	1
Tax	4
Revenue Recovery	3

COMPLETE TABLE WITH APPROPRIATE INFORMATION.

I. Computer Systems

Software

The City implemented the Cayenta Financial Management System in July 1997. This system is based on a Client-Server model and includes General Ledger, Accounts Payable, Accounts Receivable, Cash Collections, Purchasing, Inventory, Project Management, and Job Costing sub-system which are all fully integrated.

The following applications interface with the Financial System to produce transaction records. These include:

<u>Major Application</u>	<u>Vendor</u>	<u>Frequency</u>
Payroll	Hi-Line	Bi Weekly

Utility Billing	Indus	Daily
Housing Assistance		
Payments	Happy	Monthly

Data Bases

<u>Type</u>	<u>Application</u>	<u>Uses</u>
Oracle	Financial Management System	All Departments
Oracle	Utility Billing	Customer Service
Oracle	HR/Payroll	HR/Finance

J. Internal Audit Function

The City has maintained an internal audit function for the past 30 years. The internal audit function reports to City Council and is staffed by 5 employees. Members of the internal audit staff have the following qualifications:

City Auditor – CPA, CIA, CMA, CFE, MBA
 Internal Senior Auditor – BBA Accounting
 Internal Auditor – MS Accounting & Information Systems
 Internal Auditor – BBA Marketing
 Internal Auditor – Associate Degree

IV. TIME REQUIREMENTS

A. Proposal Calendar

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

Request for proposal issued	May 19, 2009
Pre-proposal conference	June 2, 2009
Due date for proposals	June 23, 2009, 3:00 pm

B. Date Audit May Commence

The City will have all records ready for audit and all management personnel available to meet with the firm's personnel as of January 4, 2010.

C. Schedule for the 2009 Fiscal Year Audit (A similar time schedule will be developed for audits of future fiscal years if the City exercises its option for additional audits).

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

1. Interim Work

The auditor shall complete interim work by October 16, 2009.

2. Detailed Audit Plan

The auditor shall provide the City by October 2, 2009, both a detailed audit plan and a list of all schedules to be prepared by the City.

3. Fieldwork

The auditor shall complete all fieldwork by February 19, 2009.

4. Draft Reports

The auditor shall have drafts of the audit report[s] and recommendations to management available for review by the Audit Committee and the chief financial officer by February 26, 2009.

D. Entrance Conferences, Progress Reporting and Exit Conferences (A similar time schedule will be developed for audits of future fiscal years if the City exercises its option for additional audits).

At a minimum, the following conferences should be held by the dates indicated on the schedule:

	<u>Week of</u>
Entrance conference with Finance and Accounting Staff	August 24, 2009

The purpose of this meeting will be to discuss prior audit issues and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the auditor

Entrance conference with Audit Committee to provide a high level audit plan	October 19, 2009
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Exit conference with the Audit Committee and management	March 15, 2010
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The purpose of this meeting will be to present the CAFR, Letter to Management, Single Audit Report, and the Governance Letter

Written Progress Reports shall be attached to each billing for services submitted by the auditor. Such billings will be expected on a frequency basis not less than monthly beginning with interim work and ending with the Exit Conference.

E. Date Final Report is due

The Accounting Manager shall prepare draft financial statements, notes and all required supplementary schedules and statistical data by February 5, 2010. The auditor shall provide all recommendations, revisions and suggestions for improvement to the Accounting Manager by February 12, 2010. A revised report, including [a] draft auditor's report(s) shall be delivered to the audit committee by March 15, 2010.

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

A. Finance Department and Clerical Assistance

The finance department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of City's Finance Department.

B. Internal Audit Staff Assistance

Up to 300 hours may be provided by the City's Internal Audit Office. This time will be deducted from the amount of the audit at no less than \$35,000. Each proposer must clearly describe the work the firm proposes that the Internal Audit staff perform including information on specific portions of the audit and scope of work. The proposer must also estimate the audit hours needed for each segment of work, describe the firm's approach toward reliance on the work performed, and discuss the firm's ability to exchange year-end Internal Audit hours for equivalent hours expended during the year on internal audits.

C. Electronic Data Processing (EDP) Assistance

EDP personnel will also be available to provide systems documentation and explanations. The auditor will be provided internet access through the City's network. City staff will perform any system inquiry or data extraction from various computer systems upon auditor's request.

D. Statements and Schedules to be prepared by the Staff of the City

The City staff will prepare all trial balances, supporting schedules, analytical review schedules and PBCs (Prepared by Client Schedules) as agreed with the auditor. The City will prepare draft and final financial statements.

E. Work Area, Telephones, Photocopying and FAX Machines

The City will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to the City's network for internet and printing, one telephone line, photocopying facilities and a FAX machine.

F. Report Preparation

1. CAFR – Report preparation, editing and printing shall be the responsibility of the City.
2. Single Audit – Report preparation, editing and printing shall be the responsibility of the auditor.
3. Management Letter – Report preparation, editing and printing shall be the responsibility of the auditor.
4. Governance Letter – Report preparation, editing and printing shall be the responsibility of the auditor.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Pre-proposal Conference and On-site Inspections

A conference for firms interested in submitting proposals will be held:

June 2, 2009 at 10:00 am
200 N. Fifth Street
Garland, TX 75040
1st Floor, Austin State Room

Both verbal and written questions will be accepted during the conference. Minutes of the pre-proposal conference will be posted on BidSync by June 4, 2009, for all firms. Attendance at the pre-proposal meeting is optional and firms will not be disqualified if they do not attend.

2. Inquiries and Questions

Inquiries and questions concerning the request for proposals and the subject of the request for proposals must be submitted through BidSync by 12:00 pm, June 16, 2009. The City is not obligated to and may at its own discretion choose not to accept or answer questions received after 12:00 pm June 16, 2009. All accepted questions will be answered within two working days after the question is submitted.

3. Submission of Proposals

The following material is required to be received by 3:00 pm, June 23, 2009 for a proposing firm to be considered:

- a. A master copy (so marked) of a Technical Proposal and Four (4) copies (copies on CD are acceptable) to include the following:

- i. Title Page

Title page showing the request for proposals subject; the firm's name; the name, address and telephone number of the contact person; and the date of the proposal.

- ii. Table of Contents

- iii. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for sixty (60) days.

- iv. Detailed Proposal

The detailed proposal should follow the order set forth in Section VI B of this request for proposals.

- v. Executed copies of Proposer Guarantees and Proposer Warranties, attached to this request for proposal (Appendix D)

- b. The proposer shall submit an original and four (4) copies (copies on CD are acceptable) of a dollar cost bid in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID
RFQ 379-09
FOR
City of Garland, Texas
FOR
PROFESSIONAL AUDITING SERVICES
June 23, 2009, 3:00 pm

- c. Proposers should send the completed proposal consisting of the two separate envelopes to the following address:

City of Garland Purchasing Department
P. O. Box 469002
Garland, TX 75046-9002
Proposal #379-09
Closing 3:00 P. M., Tuesday, June 23, 2009

Or hand-deliver to:

Purchasing Department, Room 203
2nd Floor, 200 N. Fifth Street
Garland, TX 75040
Proposal #379-09
Closing 3:00 P. M., Tuesday, June 23, 2009

If submitting a paper bid, the Agreement and Information form MUST be printed and completed for both the technical and fee packets

B. Technical Proposal

1. General Requirements

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

this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The Technical Proposal should address all the points outlined in the request for proposals (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 the request for proposals. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

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

The firm also should provide an affirmative statement that it is independent of all of the component units of the City as defined by those same standards.

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the City or any of its [agencies/ agencies or component units/ agencies, component units or primary government] for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in Texas

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

4. Firm Qualifications and Experience

The proposer should state the size of the firm, the size of the firm's governmental audit staff, the size of the firm's utility 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.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

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

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

Each proposer must include in its proposal a complete disclosure of any alleged significant prior or ongoing contract failures, any civil or criminal litigation or investigation pending which involves the proposer or in which the proposer has been judged guilty or liable.

5. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each such person is licensed to practice as a certified public accountant in Texas. Provide information on the government or utility auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

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.

Consultants and firm specialists mentioned in response to this request for proposal can only be changed with the express prior written permission of the City, which 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.

6. Prior Engagements with the City

List separately all engagements within the last five years, ranked on the basis of total staff hours, for the City by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

7. 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 five years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

8. 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 City's CAFR, budget and related materials, organizational charts, manuals

and programs, and financial and other management information systems.

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

- a. Proposed segmentation of the engagement
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

- c. Sample size and the extent to which statistical sampling is to be used in the engagement
- d. Extent of use of EDP software in the engagement
- e. Type and extent of analytical procedures to be used in the 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
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance

9. 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.

10. Report Format

The proposal should include sample formats for required reports.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

C. Sealed Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs 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 dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of Firm
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City.
- c. A Total All-Inclusive Maximum Price for the 2009 engagement with Internal Audit assistance.

2. Rates by Partner, Specialist, Supervisory and Staff Level times hours anticipated for each.

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix F), that supports the total all-inclusive maximum price. The cost of special services described in Section I E of this request for proposal should be disclosed as separate components of the total all-inclusive maximum price.

3. Out-of-pocket expenses included in the Total All-inclusive Maximum Price and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging and subsistence) will be reimbursed at the rates used by the City for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented on the second page of the sealed dollar cost bid in the format provided in the attachment (Appendix F). All expense reimbursements will be charged against the total all-inclusive

maximum price submitted by the firm.

In addition, a statement must be included in the sealed dollar cost bid stating the firm will accept reimbursement for travel, lodging and subsistence at the prevailing City rates for its employees.

4. Rates for Additional Professional Services

If it should become necessary for City to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between City and the firm. Any such additional work agreed to between City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Interim billing shall cover a period of not less than a calendar month. Ten percent (10%) will be withheld from each billing pending delivery of the firm's final reports.

VII. EVALUATION PROCEDURES

A. Audit Committee

Proposals submitted will be evaluated by a three (3) member Audit Proposal Review Committee selected by the City. The Audit Proposal Review Committee will make a recommendation of the top firms to the City's Audit Committee.

B. Review of Proposals

The Audit Proposal Review Committee will use a point formula during the review process to score proposals. Each member of the Audit Proposal Review Committee will first score each technical proposal by each of the criteria described in Section VII C below. The Audit Proposal Review 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, the sealed dollar cost bid will be opened and 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 all-inclusive maximum price. Appropriate fractional scores will be assigned to other proposers.

The City reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals 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 Texas
- b. The firm has no conflict of interest with regard to any other work performed by the firm for the City
- c. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal
- d. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.
- e. Signed Contractor Insurance Requirements and Agreements

Firms that do not provide documentation or meet the four Mandatory Elements will be eliminated from the evaluation process

2. Technical Quality: (Maximum Points - 50 points)

- a. Expertise and Experience
 - (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

- (3) External quality control review and record of quality audit work.

b. Audit Approach

- (1) Adequacy of proposed staffing plan for various segments of the engagement
- (2) Adequacy of sampling techniques
- (3) Adequacy of analytical procedures

3. Responsiveness of the Proposal: (Maximum Points – 15)

- a. Clear statement and understanding of the work to be performed
- b. Acceptance of the terms and conditions of the RFP including all scheduling requirements
- c. Completeness and thoroughness of the technical data and documentation

4. Commitment to Professional Growth: (Maximum Points – 10)

- a. Knowledge of current issues
- b. Membership in related organizations such as GFOA or TML
- c. Ability to communicate to the City changes in regulations or the environment including offering CPE credits to City personnel.

5. Price: (Maximum Points – 25 points)

D. Oral Presentations

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

E. Final Selection

The City Council will select a firm based upon the recommendation of the Audit Proposal Review Committee. The selected firm is required to sign an indemnification agreement with the City (Appendix I) before the City signs an engagement letter.

F. 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 and the firm selected.

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

APPENDICES

- A. Findings from Recent External Audits
- B. Organizational Chart
- C. Schedule of Expenditures – Federal Awards
- D. Proposer Warranties
- E. Format for Schedule of Professional Fees and Expenses to Support the Total All-inclusive Maximum Price
- F. Qualifications for Doing Business with the City - attached
- G. Business Conduct with Delinquent Account Holders and Litigants - attached
- H. Insurance and Indemnification
- I. Additional Terms and Conditions

ORGANIZATIONAL CHART



APPENDIX I**ADDITIONAL TERMS AND CONDITIONS**

Proof of financial condition/stability: Provide a set of the most recent audited financial statements.

Best and Final Offer (BAFO) The City reserves the right to request a best and final offer upon completion of negotiations.

Right of termination for failure to perform/default clause:

Garland reserves the right to enforce the performance of this contract in any manner prescribed by law or deemed to be in the best interest of the City in the event of breach or default of resulting contract award. Garland reserves the right to terminate the contract immediately in the event the successful vendor fails to: 1) meet milestone or completion schedules, or 2) otherwise perform in accordance with the accepted proposal.

Termination for Convenience

Either party may terminate this Contract at any time, at will and without cause, 60 days after delivery of written notice of termination to the other party. In the event the City terminates this Contract and the Contractor is not then in default, or otherwise in breach of this contract, the City agrees to pay the Contractor for all services actually performed and for expenses actually incurred as of the day of termination provided that such services and expenses conform to the terms of this Contract.

Method to remedy performance failure:

The successful vendor and Garland agree that both parties have all right, duties, and remedies available as stated in the Uniform Commercial Code.

Proposal Response Contractual Obligation

This proposal, submitted documents, and any negotiations, when properly accepted by the City, shall constitute a contract equally binding between the successful vendor and Garland. No different or additional terms will be come part of this contract except as properly executed in an addendum or change order.

Venue

This agreement will be governed and construed according to the laws of the State of Texas. This agreement is performable in Dallas County, Texas.

Prohibition of Interest

No City of Garland employee shall have a direct or indirect financial interest in any contract with the City, or be directly or indirectly financially interested in the sale of land, materials, supplies or services to the City.

City days and hours of operation (specify holidays)

New Year's Day
Martin Luther King, Jr. Day
Memorial Day
July 4th
Labor Day
Thanksgiving (2 days)
Christmas (2 days)

DISCLOSURE OF CERTAIN RELATIONSHIPS

Effective January 1, 2006, Chapter 176 of the Texas Local Government Code requires that any vendor or person considering doing business with a local government entity disclose in the Questionnaire Form CIQ, the vendor or person's affiliation or business relationship that might cause a conflict of interest with a local government entity. By law, this questionnaire must be filed with the records administrator of the City of Garland not later than the 7th business day after the date the person becomes aware of facts that require the statement to be filed. See Section 176.006, Local Government Code. A person commits an offense if the person violates Section 176.006, Local Government Code. An offense under this section is a Class C misdemeanor. Chapter 176 and the questionnaire may be found at www.garlandpurchasing.com.

By submitting a response to this request, vendor represents that it is in compliance with the requirements of Chapter 176 of the Texas Local Government Code.

Dispute Resolution: Pursuant to subchapter I, Chapter 271, TEXAS LOCAL GOVERNMENT CODE, Contractor agrees that, prior to instituting any lawsuit or other proceeding arising from any dispute or claim of breach under this Agreement (a "Claim"), the parties will first attempt to resolve the Claim by taking the following steps: (i) A written notice substantially describing the factual and legal basis of the Claim shall be delivered by the Contractor to the City within one-hundred eighty (180) days after the date of the event giving rise to the Claim, which notice shall request a written response to be delivered to the Contractor not less than fourteen (14) business days after receipt of the notice of Claim; (ii) If the response does not reasonably resolve the Claim, in the opinion of the Contractor, the Contractor shall give notice to that effect to the City whereupon each party shall appoint a person having authority over the activities of the respective parties who shall promptly meet, in person, in an effort to resolve the Claim; (iii) If those persons cannot or do not resolve the Claim, then the parties shall each appoint a person from the highest tier of managerial responsibility within each respective party, who shall then promptly meet, in person, in an effort to resolve the Claim.

Silence of Specification: The apparent silence of these specifications as to any detail or to the apparent omission from it of a detailed description concerning any point, shall be regarded as meaning that only the best commercial practices are to prevail. All interpretations of these specifications shall be made on the basis of this statement.

APPENDIX DPROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with State of Texas laws with respect to foreign (non-state of Texas) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Garland.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official:

Name (typed):

Title:

Firm:

Date:

APPENDIX E
Page 1

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE 2009 FINANCIAL STATEMENTS

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partners				
Managers				
Supervisory Staff				
Staff				
Other (specify):				
Subtotal				
Total for services Described in Section II E of the RFP (Detail on subsequent pages)				
Out-of-pocket expenses:				
Meals and lodging				
Transportation				
Other (specify):				
Total all-inclusive maximum price for [year] audit				

Note: The rate quoted should not be presented as a general percentage of the standard Hourly rate or as a gross deduction from the total all-inclusive maximum price.

APPENDIX E

Page 2

SCHEDULE OF PROFESSIONAL FEES AND EXPENSESFOR THE AUDIT OF THE [YEAR] FINANCIAL STATEMENTS:COMBINING SCHEDULE – ALL SERVICESDESCRIBED IN RFP SECTION II E

<u>Nature of Service to be Provided</u>	<u>Schedule</u>	<u>Total Price</u>

EACH SERVICE DESCRIBED IN RFP SECTION II E SHOULD BE SUPPORTED BY AN INDIVIDUAL SCHEDULE IN THE FORMAT PROVIDED ON PAGE 3 OF THIS APPENDIX.

APPENDIX E

Page 3

SCHEDULE OF PROFESSIONAL FEES AND EXPENSESFOR THE AUDIT OF THE [YEAR] FINANCIAL STATEMENTS:SUPPORTING SCHEDULE FOR [NAME OF SERVICE]

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partners				
Managers				
Supervisory staff				
Staff				
Other (specify):				
Subtotal				
Out-of-pocket expenses:				
Meals and lodging				
Transportation				
Other (specify):				
Total price for [NAME OF SERVICE]				

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

GARLAND

CITY COUNCIL POLICY

OPNS-04 – Qualifications for Doing Business with the City

I. Purpose and Need for Policy

The purpose of this policy is to foster the public's trust in the conduct of City business and to further insure the expenditures of public funds is beyond reproach.

II. Policy

Other than the exceptions cited below, it is the policy of the City Council to not enter into or renew a contract to purchase, sell, or lease property or services to or from any entity described in this policy.

III. Procedure to Accomplish Policy

A. The City of Garland shall not, except as provided herein, enter into or renew a contract to purchase, sell, or lease property or services to or from any person or entity who has been:

- 1) Convicted of any state or federal felony offense. Conviction includes a final probation, deferred adjudication or similar disposition.
- 2) Convicted or fined in excess of \$50,000 on certain state or federal discrimination offenses. Discrimination charges include only those brought for discrimination against the race, sex, or religion or an individual or class of individuals.

B. Persons or entities doing business with the City include:

- 1) Individuals, corporations, partnerships, associations, or limited liability companies.
- 2) Owner or principal operators of entities referenced in paragraph B(1).
- 3) Principal officers of entities referenced in paragraph B(1).
- 4) Shareholders in corporations or limited liabilities companies if there are five or fewer shareholders.
- 5) Majority owned affiliates of any entity referenced in paragraph B(1).

C. This policy shall not apply when:

- 1) Three years have elapsed between the conviction and the approval of the contract.
- 2) The contract does not require City Council approval.
- 3) Anything of value is paid or given to informants or participants in a crime stopper program, or
- 4) The City Council determines this policy could cause grave injury or impose a severe financial hardship to the City of Garland by its application, and is waived by an affirmative vote of not less than six (6) Council members.

D. On bid applications that may result in a contract award by the City Council, the City shall require a representation by bidders that the bidder is not disqualified by the application of this policy.

E. After contract award, but prior to the commencement of the project or the delivery of the service or property, a determination that the bidder is in violation of this policy shall be cause for terminating the contract.

By the execution and submission of this bid, bidder acknowledges that bidder has received a copy of City Council Policy OPNS-04 and bidder represents and warrants that bidder complies with the requirements of the City Council Policy OPNS-04 and is in no manner disqualified from doing business with the City under that policy.

GARLAND **CITY COUNCIL POLICY**

OPNS-28 – Business Conduct with Delinquent Account Holders and Litigants

I. Purpose and Need for Policy

The City conducts business with its citizens and the public at-large. In so doing, there are instances where the City may be asked to conduct business with those who are delinquent in their payment(s) to the City on various accounts or who may be involved in litigation with the City. Examples of the types of delinquent accounts which can be substantial in nature are impact fees, property taxes (generally person property), utility bills, EMS fees, and damage claims to City property. A policy is needed to ensure that the City does not conduct business with those individuals.

II. Policy

It is the policy of the City Council to forbid any individual or business entity to conduct business with the City if such person(s) currently owe(s) the City money which is past due or delinquent on property taxes, impact fees, utility bills, Municipal Court fees, EMS fees, or damage claims to City property. Unless prohibited by law, it shall further be the policy of the City Council to forbid any individual or business entity who files meritless litigation against the City from conducting business with the City.

III. Procedure to Accomplish Policy

On a monthly basis, the Managing Director of Customer Services shall produce a delinquent accounts list containing the names of those businesses and/or individuals who are delinquent in paying the City for property taxes, impact fees, utility bills, EMS fees, or damage claims. Copies of the delinquent tax history shall be distributed to the City Manager's office, Purchasing, Engineering, Planning, and Building Inspection Departments. The delinquent accounts list relating to impact fees, utility bills, EMS fees, and/or damage claims shall be housed in the Customer Service Department. These lists will be available to the City Manager, Assistant City Manager's, and other departments upon request, to be checked prior to permit issuance or other conduct of business by the City with any business or individual. The City will not do business with any business or individual until the delinquent account is paid in full. The City shall not award any contracts for services and/or goods to any business, firm, and/or individual(s) who are delinquent or have demonstrated that they are not the most responsible bidder.

IV. Responsibility and Authority

1. The Managing Director of Customer Service shall be responsible for producing and distributing a delinquent accounts list containing names of businesses and/or individuals who are delinquent in paying their property taxes, impact fees, utility bills, EMS fees, or damage claims to the City.
2. The Purchasing Manager shall be responsible for the reporting and removal of any bids submitted by any business(es), firm(s), and/or individual(s) who are delinquent in payment(s) of their utility bills, EMS fees, property taxes, impact fees, or have damage claims to the City.
3. The City Manager is responsible to ensure that this policy is upheld and that the Council is kept abreast of its effectiveness.

By the execution and submission of this bid, bidder acknowledges that bidder has received a copy of City Council Policy OPNS-28 and bidder represents and warrants that bidder complies with the requirements of the City Council Policy OPNS-28 and is in no manner disqualified from doing business with the City under that policy.

CITY OF GARLAND
CONTRACTOR INSURANCE REQUIREMENTS & AGREEMENT

REQUIREMENTS

Contractors performing work on City property or public right-of-way for the City of Garland shall provide the City a certificate of insurance or a copy of their insurance policy(s) evidencing the coverages and coverage provisions identified herein. Contractors shall provide the City evidence that all subcontractors performing work on the project have the same types and amounts of coverages as required herein or that the subcontractors are included under the contractor's policy.

All insurance companies and coverages must be authorized by the Texas Department of Insurance to transact business in the State of Texas and must be acceptable to the City of Garland Risk Management office.

Listed below are the types and amounts of insurances required. The City reserves the right to amend or require additional types and amounts of coverages or provisions depending on the nature of the work.

TYPE OF INSURANCE	AMOUNT OF INSURANCE	PROVISIONS
1. Workers' Compensation Employers' Liability	Statutory Limits \$100,000 per occurrence	City to be provided a WAIVER OF SUBROGATION and 30 day notice of cancellation or material change in coverage. Insurance company must be A-rated or above.
2. Commercial General (Public) Liability to include coverage for: a) Premises/Operations b) Products/Completed Operations c) Independent Contractors d) Personal Injury e) Contractual Liability	Bodily Injury - \$250,000 per person, \$500,000 per occurrence; Property Damage - \$100,000 per occurrence	City to be listed as additional insured and provided 30 day notice of cancellation or material change in coverage. Insurance company must be A-rated or above.
3. Business Auto Liability to include coverage for: a) Owned/Leased vehicles b) Non-owned vehicles c) Hired vehicles	Bodily Injury - \$250,000 per person, \$500,000 per occurrence; Property Damage - \$100,000 per occurrence	City to be listed as additional insured and provided 30 day notice of cancellation or material change in coverage. Insurance company must be A-rated or above.
4. Professional Liability Aggregate \$1,000,000.00 per year	Bodily Injury - \$250,000 per person, \$500,000 per occurrence; Property Damage - \$100,000 per occurrence	30 day cancellation notice Insurance company must be A-rated or above.

Certificate of Liability Insurance forms may be **faxed** to Purchasing Dept., attn: **SHARON TOWLE, @ 972-205-2495** or **emailed to: stowle@ci.garland.tx.us**. Questions regarding required insurance should be directed to Robby Neill, City of Garland Risk Manager, (972)205-2481.

This form must be signed and returned with your quotation. You are stating **that you do have the required insurance and if selected to perform work for the City, will provide the certificates of insurance with the above requirements** to the City.
A PURCHASE ORDER WILL NOT BE ISSUED WITHOUT EVIDENCE OF INSURANCE.

AGREEMENT

I agree to provide the above described insurance coverages within 10 working days if selected to perform work for the City of Garland. I also agree to provide the City evidence of insurance coverage on any and all subcontractors performing work on the project.

Project/Bid# _____

Company: _____ **Vendor#(if applicable)** _____

PrintedName: _____

Signature: _____ **Date:** _____

Revised 3/03 revised 8/05 revised 2/07(30 day cancellation added on WC); 4/7/09(Professional)



City of Garland
INDEMNIFICATION AGREEMENT

The Contractor agrees to indemnify, hold harmless and defend the City of Garland, its officers, agents and employees, both past and present, from and against liability for any and all claims, liens, suits, demands, and actions for damages, injuries to persons (including death), property damage (including loss of use), and expenses, (including court costs, attorneys' fees and other reasonable costs of litigation) arising out of or resulting from Contractor's work and activities conducted in connection with or incidental to this Contract and from any liability arising out of or resulting from intentional acts or negligence of the Contractor, including all such causes of action based upon common, constitutional, or statutory law, or based in whole or in part upon the negligent or intentional acts or omissions of Contractor, including but not limited to its officers, agents, employees, subcontractors, licensees, invitees, and other persons.

It is the express intention of the parties hereto, both the City and the Contractor, that the indemnity provided for in this Contract indemnifies and protects the City from the consequences of the City's own negligence.

The Contractor further agrees that it shall at all times exercise reasonable precautions on behalf of, and be solely responsible for, the safety of its officers, agents, employees, subcontractors, licensees, invitees and other persons, as well as their property, while in the vicinity where the work is being done. It is expressly understood and agreed that City shall not be liable or responsible for the negligence or other fault of the Contractor, its officers, agents, employees, subcontractors, licensees, invitees, or other person associated with the Contractor.

The Contractor agrees to indemnify and save the City harmless from all claims growing out of any demands of subcontractors, laborers, workers, mechanics, materialmen, and furnishers of supplies, equipment, financing, or any other goods or services, tangible or intangible. When the City so desires, the Contractor shall furnish satisfactory evidence that all obligations of the nature hereinabove designated have been paid discharged or waived.

INDEPENDENT CONTRACTOR

Contractor acknowledges that Contractor is an independent contractor of the City and that Contractor is not an employee, agent, official or representative of the City. Contractor shall not represent, either expressly or through implication, that Contractor is an employee, agent, official or representative of the City. Any income taxes, self-employment taxes, social security taxes and the like are the sole responsibility of the Contractor.

Nothing contained in this Contract shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent or of partnership or of joint venture or of any association whatsoever between the parties, it being expressly understood and agreed that no provision contained in this Agreement nor any act or acts of the parties hereto shall be deemed to create any relationship between the parties other than the relationship of independent parties contracting with each other solely for the purpose of effecting the provisions of this Contract.

I understand that the indemnification and Independent Contractor provisions are requirement of all City of Garland Contracts. I have read the provisions agree to the terms of these provisions.

COMPANY NAME

TITLE

SIGNATURE

DATE

j:\data\purchase\sfg\train\insur.doc revised 6-12-00

AGREEMENT & INFORMATION FORM

DELIVERY WILL BE F.O.B. CITY OF GARLAND. ALL TRANSPORTATION CHARGES PAID BY THE SUPPLIER TO DESTINATION.

PROMPT PAYMENT DISCOUNT % FOR PAYMENT MADE WITHIN DAYS OF ACCEPTANCE OF GOODS OR SERVICES.

PAYMENT TERMS: Net 30. If PROMPT PAYMENTS are not offered or accepted, payments shall be made 30 days after receipt and acceptance of goods or services or after the date of receipt of the invoice, whichever is later.

DELIVERY TO BE SPECIFIED IN CALENDAR DAYS FROM DATE OF ORDER.

PRICES QUOTED SHALL REMAIN FIRM AND IRREVOCABLE FOR A PERIOD OF DAYS.

IT IS THE POLICY OF THE CITY OF GARLAND TO INVOLVE HISTORICALLY UNDERUTILIZED BUSINESSES (HUB) TO THE GREATEST EXTENT POSSIBLE IN THE PROCUREMENT OF GOODS, EQUIPMENT, SERVICES AND CONSTRUCTION PROJECTS. PRIME SUPPLIERS/VENDORS ARE ENCOURAGED TO PROVIDE HUBs THE OPPORTUNITY TO COMPETE FOR SUB-CONTRACTING AND OTHER PROCUREMENT OPPORTUNITIES. A LISTING OF HUBs IN THIS AREA MAY BE ACCESSED AT THE FOLLOWING STATE OF TEXAS WEBSITE.

<http://www.window.state.tx.us/procurement/cmb1/cmb1hub.html>

☐ We **DO NOT** take exception to the Bid specifications.

☐ We **TAKE** exception to the Bid specifications (explain):

Would bidder be willing to allow other local governmental entities to participate in this contract, if awarded, under the same Terms and Conditions? ☐ YES ☐ NO

The City of Garland reserves the right to reject any and/or all bids.

The City shall at time of issuance of this agreement, by 30 day written notice, have the absolute right to terminate this agreement for cause or for convenience. Cause shall be the vendor's refusal to perform any provision of the work or failure to meet specifications, quantity or quality of work performed within the time specified by this agreement. In such case, the vendor shall be liable for any damage suffered by the City. However, the vendor shall not be held responsible for failure to perform if such failure is caused by acts of God, acts of the public enemy, acts of the governments, provided the vendor notifies the City within 30 days after such cause occurs. If the agreement is

terminated by the City for convenience, the vendor has no further obligation under the agreement. Payment shall be made to cover the cost of material/work in progress or "cosigned to the City as of the effective date of termination.

Bidder agrees to comply with all conditions of this sheet and additional terms, conditions and specifications as pertains to this bid process. The undersigned hereby offers to furnish and deliver the articles or services as specified at the prices and terms herein stated and in strict accordance with the specifications and general conditions of bidding, all of which are made part of this offer. This offer is not subject to withdrawal after award is made. Bidder guarantees product offered will meet or exceed specifications identified in this bid request.

Signatory certifies no change has been made whatsoever to the content of this document as provided by the City of Garland

Name of Business:

Business Address:

City / State / Zip Code:

Phone:

Fax:

Authorized (Name):

Signature:

E-Mail Address:

FEDERAL ID #:

Date:

The City of Garland is an active supporter of Historically Underutilized Business (HUB) enterprises development and is committed to increasing its purchases from HUB companies through the competitive bid process. The City of Garland accepts certification from the State of Texas. The City of Garland may accept certifications from other sources on a case by case, project by project basis.

HUB Owned Business: Yes ☐ No ☐ Certification #

Include copy of current certification with your response.

Quotations will not be considered unless quoted F.O.B. delivered, City of Garland, Texas.

For special delivery of bids, our physical address is: 200 N. Fifth Street, Garland, TX 75040.

The City of Garland will award to the lowest responsible bidder or to the bidder who provides goods or services at the best value for the City.

No employee shall have a direct or indirect financial interest in any contract with the City, or be directly or indirectly financially interested in the sale of land, materials, supplies or services to the City.

FRAUD POLICY: Vendors submitting proposals to the City of Garland must review the City's policy related to fraudulent activities and acknowledge their responsibilities for protection against acts of fraud in the conduct of business.

The signature below acknowledges that I am aware of and have read the City of Garland Fraud Policy Directive. As a contractor/vendor engaged in a business relationship with the City of Garland, I understand that I am responsible for aiding in the protection against fraudulent acts (which are defined in the Fraud Policy) by complying with all aspects of the Fraud Policy. One key responsibility is to report all suspected fraud to the City's Fraud Hotline at 972-205-2739.

Copies of the City of Garland's Fraud Policy can be located at www.ci.garland.tx.us, City Hall/Internal Audit/ Fraud Policy.

ELECTRONIC BIDS: The City of Garland uses BidSync to distribute and receive bids and proposals. There will be **NO COST** to the vendor for standard bids or proposals. For **Cooperative Bids and Reverse Auctions ONLY**, the *successful* Vendor (s) agree to pay to BidSync a transaction fee on one percent (1%) of the total awarded amount of all contracts for goods and/or services. Cooperative Bids and Reverse Auctions will be clearly marked on the bid documents. To assure that all Vendors are treated equally, the fee will be payable whether the bid/proposal is submitted electronically, or by paper means. Refer to www.bidsync.com for further information.

VENDOR RESPONSIBILITY It is the vendors responsibility to check for any addenda or questions and answers that might have been issued before bid closing date and time.

A W-9 form will be required from the awarded vendor.

Acknowledgement of Addenda: #1 ☐ #2 ☐ #3 ☐ #4 ☐ #5 ☐

Vendors WILL be notified of any addenda and Q&A if they are on the invited list, they view the bid or add themselves to the watch list.

Is Bid Bond attached if applicable? ☐ Yes ☐ No

Please supply Remit To Address, if different than your physical address:

REMIT TO ADDRESS:

	 
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APPENDIX I**SECTION I — SIGNIFICANT DEFICIENCIES**

We consider the following deficiencies in the City's internal control over financial reporting to be significant deficiencies as of September 30, 2008:

Accounting for Certain Transactions Related to Electric Utility

Criteria: Management is responsible for establishing internal controls to ensure that financial statements are free of material misstatement. These controls include policies and procedures for accounting transactions entered into for the Electric Utility Department.

Condition Found (including cause): Certain significant transactions entered into for the Electric Utility Department were not considered for proper accounting treatment. These transactions include the sale of emissions credit allowances, contracts to purchase electricity, and the decision to change the use of electric generation assets that resulted in an accounting impairment of capital assets. These transactions are operational in nature but are nonstandard and require an experienced accountant to evaluate them and communicate them to the finance department on a timely basis to ensure proper accounting treatment.

Perspective and Asserted Effect: The above resulted in certain audit adjustments. In addition, lack of accounting consideration for such transactions could result in decisions being made without taking into consideration the impact of these decisions on the financial results of the Electric Utility and its compliance with the required debt covenants.

Recommendation: The City should establish policies and procedures that would require the evaluation of all unusual transactions entered into by the electric department for proper accounting treatment. This could include the hiring of an experienced accountant who has the right combination of electric utility and governmental accounting experience. This person's responsibilities would include the evaluation of transactions for proper accounting treatment and communication with the Finance Department to ensure that these transactions are recorded in the general ledger on a timely basis.

Management Response: The Finance and Electric Department will establish policies and procedures to identify, evaluate and accurately record unusual transactions. In addition, the City is in the process of considering additional resources to monitor electric transactions to assure that proper accounting treatment is being considered and implemented on a timely basis.

Ineffective Password Controls

Criteria: The identification and authentication of system users serves to validate the individuals who use the computer systems. Identification, such as a user ID, distinguishes one user from another, and establishes accountability for system-based actions. Policies relating to use of passwords generally incorporate details on periodic password change, confidentiality requirements and password format (e.g. password length, and alphanumeric content) requirements that are to be followed by users.

Condition Found (including cause): During our review of general computer controls, we noted the following:

- Windows Active Directory ("AD") - the password complexity for AD is not set;
- Unix (Banner/FMS) - "Trusted mode" security that forces users to use strong passwords is not enabled;
- Personality Application - Minimum length and complexity is not set;
- Banner Application - Password expiry time is not set; Minimum password length is only 5 characters; and Minimum Password length and complexity not enabled;
- Oracle Database (Banner and FMS) - Password policies are not set-up;
- Oracle Database (Personality) - The password policy for minimum length and complexity is not set for all users; except for HRIS user group, the password change requirements and account lock-out settings are not configured.

Perspective: The identification and authentication of users serves to validate the individuals who use computer systems. Identification, such as a user ID, distinguishes one user from another and establishes accountability for system-based actions. Management should emphasize the value of the entity's information by making it the City's policy that users are accountable for transactions processed using their user ID and by implementing disciplinary action for disregard of password confidentiality.

Authentication occurs within the information system and is based on some mechanism which is unique to the specific user. Passwords are the most common form of authentication used. Passwords must be confidential to the respective user in order to restrict the usage of accounts only to the authorized individual. In addition, standards should be defined to govern the construction and use of passwords to ensure the password is not easily guessed. Standards often include prohibiting the creation and use of passwords which may be easily associated with the respective user, establishing minimum and maximum length, requiring a combination of alphanumeric and numeric characters, periodic password changes and preventing the re-use of passwords.

Asserted Effect: Inadequate authentication procedures may lead to financial loss and operational damage through unintentional or deliberate unauthorized access, alteration, and use of information resources.

Recommendation: Management should adopt password control policies and implement adequate password control procedures across all systems.

Management Response: The vendor for the FMS software does not support or allow for UNIX trusted mode. Therefore, due to production limitations, we are proposing that system specific vulnerabilities be defined in order to assist COG system administrators in implementing sufficient mitigating controls where possible.

The COG ITS agrees that strong passwords are one of the first lines of defense in reducing the risk of unauthorized access to IT systems. We will perform a risk and impact assessment on both the databases and applications in order to determine the feasibility of implementing and enforcing strong passwords.

The COG ITS agrees that unique passwords should be created for all new user accounts and will begin immediate efforts to create and enforce those process rules.

The COG ITS agrees that strong, complex passwords should be enabled for the Windows Domain Logins. We will begin immediate efforts to implement and enforce strong, complex passwords for all Windows Domain Accounts.

The COG ITS agrees that strong passwords are one of the first lines of defense in reducing the risk of unauthorized access to IT systems. We will perform a risk and impact assessment on both the ITRON application in order to determine the feasibility of implementing and enforcing strong passwords.

The COG ITS also agrees that two users should not share the same account for this system and we will begin immediate efforts to remediate this issue.

SECTION II — MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES IDENTIFIED IN A PREVIOUS AUDIT THAT HAVE NOT YET BEEN REMEDIATED

We identified and previously communicated the following deficiency that was considered to be a significant deficiency in the City's internal control over financial reporting during our audit of the financial statements of the City for the year ended September 30, 2007. As of the date of this report, we believe this deficiency has not yet been remediated by the City:

Ineffective Password Controls – See Section I above.

SECTION III — OTHER DEFICIENCIES

We identified the following other deficiencies involving the City's internal control over financial reporting as of September 30, 2008 that we wish to bring to your attention:

Vendor Master File

Observation

The City does not have a substantial or systematic process in place to identify and appropriately classify vendors that have been inactive for longer than five years. As a result, the vendor master file contained numerous vendors considered inactive by the City. We noted that out of the 65,442 inactive vendors (vendors with no activity after 8/31/03), 4,319 vendors are still listed as 'Permanent' (active).

Recommendation

The City should implement a process that requires the systematic review of activities related to vendors to identify inactive vendors and reclassify them to inactive.

Management Response

Management concurs.

Collateralization

Observation

The City does not have a formal written collateralization policy. On September 30, 2008, the bank balance of one of the City's component units was under collateralized.

Recommendation

The City should require its component units to formulate a written collateralization policy to ensure that the bank balances are fully collateralized at all times. The lack of a formal policy places the City at risk in the event of default by the Bank.

Management Response

Management concurs.

Water LossObservation

During fiscal year 2007-2008, the City's total gallons billed for water sales were approximately 18% less than the gallons of water purchased after consideration of known unbilled water usages. Industry average for water losses is around 12-14%.

Recommendation

The City should investigate the reasons for differences between water usage and purchases.

Management Response

Management concurs and will continue to monitor and investigate the differences between water usage and purchases.

Fund DeficitsObservation

At September 30, 2008, the City had negative net assets in three internal service funds. A summary of these deficits is in the following table:

Fund	Income (Deficit) Year Ended September 30, 2008	Net Assets Positive (Negative) September 30, 2008
Internal Service Funds – Self Insurance	\$ 926,601	\$ (2,593,148)
Internal Service Funds – LTD Insurance	(516,497)	(4,246,180)
Internal Service Funds – Warehouse	(6,908)	(175,964)

Recommendation

Management should evaluate the charges made by internal service funds to other funds to ensure that rates charged cover expenses for the period and a plan is put in place to eliminate the negative net assets.

Management Response

The deficits reported in the self insurance and long-term disability funds are the result of GAAP adjustments for actuarially determined reserve liabilities for self-insurance and long-term

disability. However, these funds are managed and funded on a cash basis. Management will continue to monitor the GAAP-basis deficits in these funds and make funding changes based on projected cash flow requirements.

The Warehouse deficit will be eliminated through a combination of increasing charges for these services and decreasing costs.

Business Continuity and Disaster Recovery

Observation

A formal documented Disaster Recovery Plan ("DRP") and Business Continuity Plan ("BCP") is not in place. Management is in the process of establishing BCP and DRP procedures. However this process was not completed as of the date of our audit and the risk of the City not being able to recover a system or data in the case of disaster exists until the proposed infrastructure and processes are in place and operating effectively.

The success of business continuity planning and disaster recovery depends upon an effective backup process. It is important for all backups to be rotated to an off-site location to minimize the risk that significant data could be lost during a particular event (e.g., hardware failure, computing environment disaster).

If appropriate business continuity planning, disaster recovery, data back-up procedures and off-site tape rotation processes are not in place, management may not be able to effectively recover data/systems or meet acceptable service levels in the event of a disaster.

Recommendation

Management should document and implement formal Disaster Recovery and Business Continuity Plans. Business continuity planning is a process of information gathering and analysis that results in an integrated strategy and corresponding plan to respond to an unplanned interruption in normal business operations. The ultimate objective of this process is to provide timely availability of all of the resources that are necessary to operate critical business processes at a level acceptable to management. Typically, critical business processes include the entity's core activities (e.g., customer service and payroll processing) that contribute directly to the goals of the entity. In the event of an unplanned interruption to normal business operations, degraded levels of service may be acceptable for some period of time. The levels of service that will be acceptable, and the length of time for which less than full service will be acceptable, depend on the nature of the entity and its business, the cost to replace service, the cost of the outage, and management's business objectives. The recovery procedures for the IT systems should be documented in the Disaster Recovery Plan and communicated to all stakeholders. This plan should be tested on a periodic basis.

Management Response

The Information Technology Department completed the first phase of an IT disaster recovery planning project in September 2007. The second phase will be completed in 2008. In the event of a disaster, the City's current strategy is to re-build the IT infrastructure using pre-positioned

equipment located at a yet to be determined City facility. We are strongly leaning towards pre-positioning equipment at the data center located at Garland's Police headquarters.

The COG ITS recognizes the importance of having a comprehensive and accurate DR Plan, Process and Test Schedule. We are currently well into the DR documentation and planning stages it is our intent to have the DR Plan complete by 12/31/2009 and initiate the first test by 3/31/2009.

Use of Generic Accounts

Observation

Generic accounts are being used for administration and maintenance activities across multiple systems and applications. The following issues were noted:

In the ITRON application, the administrator account is being shared by two ITS personnel;

In Unix systems (Banner/FMS) - Four operators share an Id, three accounts including root have a UID of zero and noted test accounts in the production environment.

Inadequate authentication procedures may lead to financial loss and operational damage through unintentional or deliberate unauthorized access, alteration, and use of information resources.

Recommendation

Management should implement individual accounts or mechanisms to establish accountability of usage of computer accounts. Users should be required to have a unique user identifier in order to distinguish one user from another and establish accountability.

Management Response

As a part of the 'User Access & Entitlement Review' process, the removal of generic application and database accounts is considered an 'in scope' task that will be performed during the 'clean up' stage of the process. Each of the systems listed also considered 'in scope' for this clean up process.

User Access Privileges

Observation

The IT department proactively provides the list of users and their access privileges on a semi-annual basis to system owners. However, a positive response is not provided back to the IT department to confirm that the user access privileges are appropriate.

Application owners should ordinarily receive lists of users granted access to their information on a regular basis. Reviews should ordinarily occur on a continuous basis, to ensure that controls and rules are consistently applied, and to provide a secure environment on a day-to-day basis. Senior personnel should monitor access privileges to software libraries, utilities and sensitive functions, data, and applications, based on access rules agreed upon by application owners, and then report back on their acceptability. Unacceptable access rights should ordinarily be revoked

functions, data, and applications, based on access rules agreed upon by application owners, and then report back on their acceptability. Unacceptable access rights should ordinarily be revoked after consultation with the relevant application owner. Without effective reviews, there will be no assurance that user access privileges remain appropriate, or that logical security is effective. Additionally, potential threats and misuse may not be timely noted.

If user access is not reviewed on a periodic basis, there is a risk that user privileges may become inconsistent with job requirements over time. If the exceptions to the access privileges are not communicated back to IT department, the inappropriate access may not be corrected in a timely manner.

Recommendation

Management should identify the shortcoming of the current process and establish clear responsibility for providing feedback on the appropriateness of IT system access to IT department on a timely basis.

Management Response

The COG ITS is currently in the process of redefining and re-implementing its 'User Access & Entitlement Review' process. The current system scope & document deliverables include:

FMS, P2K, Banner, Court CSI, Onbase (Imaging), Tax Records Management, Revenue Collections, System Innovators, Check Scribe, and Public Safety - IPS Dispatch & CML-E911 (911). Database and OS level access will be included as well.

Documentation –

- a) User Entitlement Report
- b) Business Systems Owner's response to the entitlement review (who should/should not have, who's access should change)
- c) User Access & Entitlement changes based on system owner's response
- d) New/Updated IT User Access Policy
- e) New COG Applications Access Procedures
- f) Updated Entitlement Review Process.

SECTION IV — OTHER MATTERS

Our observations concerning other matters that we wish to bring to your attention are as follows:

RECENTLY ISSUED GOVERNMENT ACCOUNTING STANDARDS BOARD ("GASB") STATEMENTS

GASB 49: Pollution Remediation Obligations

Observation — The GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in December 2006. The statement will be effective for the City in the fiscal year 2009. This statement identifies the circumstances under which a governmental entity is required to report a liability related to pollution remediation. A government is required to estimate expected outlays for pollution remediation using an "expected cash flows" measurement technique if it knows a site is polluted and if any of the predefined recognition triggers occur. Information about pollution obligations associated with clean up efforts should also be disclosed in the notes to the financial statements.

GASB 51: Accounting and Financial Reporting for Intangible Assets

Observation — GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was issued and is effective for the City beginning in fiscal year 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets.

GASB 52: Land and Other Real Estate Held as Investments by Endowments

Observation — GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, was issued and is effective for the City beginning in fiscal year 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB 53: Accounting and Financial Reporting for Derivative Instruments

Observation — GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, was issued and is effective for the City beginning in fiscal year 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB 54: Fund Balance Reporting and Governmental Fund Type Definitions

Observation — GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued and is effective for the City beginning in fiscal year 2011. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

Recommendation — Review the recently issued standards to determine the potential impact on the City's financial statements and to determine the approach the City will take to implement them as they become effective.

CITY OF GARLAND, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2008

Grantor/ Program Title	Contract Number	CFDA Number	Expenditures For The Year Ended 9/30/08
Federal Financial Assistance			
<u>U. S. Department of Housing and Urban Development</u>			
Community Development:			
Emergency Shelter Grant	S-05-MC-480011	14.231	\$ 1,005
Emergency Shelter Grant	S-06-MC-480011	14.231	3,393
Emergency Shelter Grant	S-07-MC-480011	14.231	78,251
Emergency Shelter Grant	S-08-MC-480011	14.231	63,085
Community Development Block Grant Entitlement 31 - 2006	B-06-MC-480011	14.218	94,818
Community Development Block Grant Entitlement 32 - 2007	B-07-MC-480011	14.218	223,837
Community Development Block Grant Entitlement 33 - 2008	B-08-MC-480011	14.218	1,984,357
Total Community Development Grants			<u>2,448,746</u>
Housing Assistance Programs:			
Housing Choice Voucher Program	TX435VOxxx	14.871	11,424,761
Disaster Voucher Program	TX435DHxxx	14.DVP	113,674
Disaster Housing Assistance Program	HSFEHQ-07-x-0249	97.109	1,071,011
HOME - Home Investment Partnership (incl. ADDI allocation)	M-07-MC-480225	14.239	(875)
HOME - Home Investment Partnership (incl. ADDI allocation)	M-08-MC-480225	14.239	1,830,379
Fair Housing Assistance Program - Capacity Building Program 2007	FF206K076007	14.409	27,356
Fair Housing Assistance Program - Capacity Building Program 2008	FF206K086007	14.409	190,352
Fair Housing Assistance Program - Education Program 2008	FH400G07027	14.409	60,228
Total Housing Assistance Programs			<u>14,716,886</u>
Total U. S. Department of Housing and Urban Development			<u>17,165,632</u>
<u>Institute of Museum and Library Services</u>			
Passed through the Texas State Library and Archives Commission			
Northeast Texas Library System	470-08007	45.310	767,154
Northeast Texas Library System	470-09007	45.310	70,716
Northeast Texas Library System - TANG	476-08017	45.310	37,037
Total Institute of Museum and Library Services, State Library Program			<u>874,907</u>
<u>U. S. Department of Transportation</u>			
Passed through the Texas Department of Transportation			
Comprehensive (ITC, OP, Speed, DWI) STEP Grant 2008	2008-GarlanPD-STEP-2037	20.600	250,000
Impaired Driver Mobility Grant	2008-GarlanPD-IDM-00013	20.600	20,000
Click It or Ticket (CIOT) STEP Grant 2008	2008-GarlanPD-CIOT-00034	20.600	29,999
Total U. S. Department of Transportation			<u>299,999</u>

See accompanying notes to the Schedule of Expenditure of Federal Awards

(Continued)

CITY OF GARLAND, TEXAS

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

Grantor/ Program Title	Contract Number	CFDA Number	Expenditures For The Year Ended 9/30/08
<u>U. S. Department of Justice</u>			
Gang Resistance Education and Training (G.R.E.A.T.) Program - 2006	2006-JVFX-0081	21.053	993
Gang Resistance Education and Training (G.R.E.A.T.) Program - 2007	2007-JVFX-0207	21.053	111,674
Justice Assistance Grant (J.A.G.) 2006	2005-F2315-TXDJ	16.738	342
Justice Assistance Grant (J.A.G.) 2007	2007-DJ-BX-0568	16.738	5,476
Justice Assistance Grant (J.A.G.) 2008	2007-F2647-TX-DJ	16.738	41,357
Victim Assistance Advocacy Program	VA-07-V30-18835-01	16.575	53,881
Bullet-Proof Vest Program	2007BUBX71759164	16.607	929
Bullet-Proof Vest Program	2007BUBX71955164	16.607	4,517
Total U. S. Department of Justice			<u>219,169</u>
<u>U.S. Department of Homeland Security</u>			
Federal Emergency Management Agency/Office of Domestic Preparedness			
Metropolitan Medical Response	233-01-0050	97.071	6,486
Passed through the Texas Department of Public Safety			
Metropolitan Medical Response FY2006	2006-GE-T6-0068	97.071	153,789
Metropolitan Medical Response FY2007	2007-GE-T7-0024	97.071	99,883
Citizen Corp Program (CCP) 2007	2005-GE-T5-4025	97.073	5,010
Citizen Corp Program (CCP) 2008	2007-GE-T7-0024	97.073	5,456
Law Enforcement Terrorism Prevention (LETPP) 2006	2006-GE-T6-0068	97.074	2,591
Law Enforcement Terrorism Prevention (LETPP) 2007	2007-GE-T7-0024	97.074	107,215
Urban Areas Security Initiative 2003 (UASI)	2003-EU-T3-4043	97.008	36,035
Urban Areas Security Initiative 2006 (UASI)	2006-GE-T6-0068	97.008	457,517
Total U. S. Department of Homeland Security			<u>873,982</u>
<u>Center for Disease Control</u>			
Passed through the Texas Department of State Health Services			
Immunization Grant 2007	2007-021040	93.268	1,833
Immunization Grant 2008	2008-021040	93.268	286,415
Immunization Grant 2009	2009-021040	93.268	29,249
Total Center for Disease Control			<u>317,497</u>
<u>U. S. Department of Agriculture</u>			
Passed through the Texas Health & Human Services Commission (Dept. of State Health Services)			
Summer Nutrition Program	057-1029	10.559	521,314
Total U. S. Department of Agriculture			<u>521,314</u>
Total Expenditures of Federal Awards			<u>\$ 20,272,500</u>

See accompanying notes to the Schedule of Expenditure of Federal Awards

(Concluded)

CITY OF GARLAND, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2008

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards to the City of Garland, Texas ("City"). The City's reporting entity is defined in Note 1 to the City's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

3. SUBRECIPIENTS

During the fiscal year ended 9/30/2008, three of the City's grant programs passed funds through to subrecipients. The City passed \$ 136,089 from the HOME Investment Partnership Program grant, CFDA #14.239; \$ 252,575 from the Community Development Block Grant, CFDA #14.218; and \$142,689 from the Emergency Shelter Grant, CFDA #14.231, to each grant's corresponding subrecipients.

CITY OF GARLAND, TEXAS

CORRECTIVE ACTION PLAN YEAR ENDED SEPTEMBER 30, 2008

Finding 2008-01 Accounting for Certain Transactions Related to Electric Utility (Program: N/A)

Contact person – Steve Anderson, Accounting Manager

Management Response – The Finance and Electric Department will establish policies and procedures to identify, evaluate and accurately record unusual transactions. In addition, the City is in the process of considering additional resources to monitor electric transactions to assure that proper accounting treatment is being considered and implemented on a timely basis.

Estimated completion – September 30, 2009

Finding 2008-02 Ineffective Password Controls (Program: NA)

Contact person – Joe Mitchell, IT Manager

Management Response – The vendor for the FMS software does not support or allow for UNIX trusted mode. Therefore, due to production limitations, we are proposing that system specific vulnerabilities be defined in order to assist COG system administrators in implementing sufficient mitigating controls where possible.

The COG ITS agrees that strong passwords are one of the first lines of defense in reducing the risk of unauthorized access to IT systems. We will perform a risk and impact assessment on both the databases and applications in order to determine the feasibility of implementing and enforcing strong passwords.

The COG ITS agrees that unique passwords should be created for all new user accounts and will begin immediate efforts to create and enforce those process rules.

The COG ITS agrees that strong, complex passwords should be enabled for the Windows Domain Logins. We will begin immediate efforts to implement and enforce strong, complex passwords for all Windows Domain Accounts.

The COG ITS agrees that strong passwords are one of the first lines of defense in reducing the risk of unauthorized access to IT systems. We will perform a risk and impact assessment on both the ITRON application in order to determine the feasibility of implementing and enforcing strong passwords.

The COG ITS also agrees that two users should not share the same account for this system and we will begin immediate efforts to remediate this issue.

Estimated completion – September 30, 2009

CITY OF GARLAND, TEXAS

STATUS OF PRIOR AUDIT FINDINGS YEAR ENDED SEPTEMBER 30, 2008

Finding 2007-01 Capital Assets Reporting (Program: NA)

Criteria: Effective controls should be designed and implemented to ensure capital assets are properly accounted for and reported.

Condition Found (including cause): We noted lack of timely communication from the Electric Department to the Financial Services Department and the lack of effective controls with regards to capital assets transactions including additions, retirements and transfers, and lack of routine reconciliation. In addition, the City failed to perform periodic capital assets inventory counts.

Perspective: There were \$491,000 audit adjustments related to capital assets. The condition noted above resulted in significant delays in completing capital assets reporting.

Asserted Effect: The condition resulted in a number of errors and delays in current year capital assets reporting delaying the issuance of the financial statements.

Recommendation: The City should continue to enhance the capital asset function and finalize policies and procedures guide that clearly identifies roles and responsibilities and is communicated to the various City departments; continue to improve the usage of capital asset information systems module that integrates or interfaces with the existing general ledger system to maintain the detailed capital asset records; establish the business processes, and related written procedures, between the operating departments and the financial services department to ensure timely and accurate reporting of capital asset activities such as retirements, sales, acquisitions, transfers, and donations; establish and maintain physical inventory procedures to be performed on a regular basis in total or on a sample basis to ensure existence of assets recorded and the tagging of such assets by operating departments; and perform a timely management review of capital asset transactions.

Status: Completed

Finding 2007-02 Ineffective Password Controls (Program: NA)

Criteria: The identification and authentication of users serves to validate the individuals who use computer systems. Identification, such as a user ID, distinguishes one user from another, and establishes accountability for system-based actions. Policies relating to use of passwords should incorporate details on periodic password change, confidentiality requirements and password format (e.g. password length, alphanumeric content) requirements that are to be followed by users.

Condition Found: During review of general computer controls, we noted the following:

- Windows Active Directory (“AD”) - the password complexity for AD is not configured;
- Personality Application - Minimum length and complexity requirements are not configured;
- Banner Application - Password expiry time is not set and minimum password length is only 5 characters; Minimum Password length and complexity requirements are not configured;
- Banner (Unix) - Password policies are not configured;
- Banner (Oracle Database) - Password policies are not configured for all users;
- Personality (Oracle Database) - the password policy for minimum length and complexity is not set for all users, except for HRIS user group, for which the password change requirements and account lock-out settings are not configured;
- FMS (Application and Unix Level Access) - the system does not use the ‘trusted’ feature that would allow password enforcement, we also noted that of all the Unix accounts, 49 user accounts do not have a password, eight user account passwords are the same as the user Id and six accounts have weak passwords. The users do not change their passwords on a periodic basis; we noted that 611 user accounts (95% of total active accounts) have not changed the passwords in the past six months and of these, 495 user account passwords (77% of total active accounts) have never been changed since the creation of the accounts;
- FMS (Oracle Database) - the password policy for minimum length and complexity is not set for all users, the password change requirements settings are not configured.

Perspective: The main causes for the above gaps are weakness in IT configuration settings and lack of policies and procedures or their ineffective implementation across all IT systems. Management should emphasize the value of the City's information by making it City policy that users are accountable for transactions processed using their user ID and by implementing disciplinary action for disregard of password confidentiality.

Asserted Effect: Inadequate authentication procedures could lead to financial loss and operational damage through unintentional or deliberate unauthorized access, alteration, and use of information resources.

Recommendation: Management should adopt password control policies and implement adequate password control procedures across all systems. Passwords must be confidential to the respective user in order to restrict the access of accounts only to the authorized individual. In addition, standards should be defined to govern the construction and use of passwords to ensure the password is not easily compromised. Standards should include prohibiting the creation and use of passwords which may be easily associated with the respective user, establishing minimum and maximum length, requiring a combination of alpha-numeric and numeric characters, periodic password changes and preventing the re-use of passwords.

Status: See finding 2008-02

Finding 2007-03 Antifraud Programs and Controls (Program: NA)

Criteria: The American Institute of Certified Public Accountants (“AICPA”) has published a document entitled, *Management Antifraud Programs and Controls – Guidance to Help Prevent and Deter Fraud*. As stated in the publication, “this document identifies measures entities can implement to prevent, deter, and detect fraud. It discusses these measures in the context of three fundamental elements. Broadly stated, these fundamental elements are (1) create and maintain a *culture* of honesty and high ethics; (2) *evaluate* the risks of fraud and implement the processes, procedures, and controls needed to mitigate the risks and reduce the opportunities for fraud; and (3) develop an appropriate *oversight* process.”

In addition, newly issued AICPA Statements on Auditing Standards, which have also been adopted by the U.S. Governmental Accountability Office, state that in obtaining an understanding of an entity’s control environment, independent auditors must consider the design and implementation of programs and controls that address the risk of fraud. Under the new standards, the absence or inadequacy of such programs and controls can represent a significant deficiency or material weakness in an entity’s control environment. Auditors must consider such issues as:

- Has management linked risks and schemes identified in the fraud risk assessment process to mitigating programs and controls by analyzing management’s mapping of fraud risks to applicable mitigating programs and controls?
- What are the procedures for handling complaints and for accepting and investigating confidential submissions of concerns about questionable accounting or auditing matters?

Condition found: The City does not have in place a risk assessment process that evaluates factors that could prevent the occurrence of fraud in the City. An instance of fraud in its risk management office was uncovered by the City in March 2008.

Perspective: The instance of fraud indicated significant deficiencies in the City’s anti-fraud programs and controls. According to an ongoing City Internal Audit investigation, the fraudulent activity commenced prior to the year of 1998 and remained active until uncovered.

Asserted Effect: The City is subject to the risk of Fraud, and an instance of fraud in its risk management office was uncovered by the City in March 2008. The fraudulent claim expenses in current year amounted to thousands of dollars.

Recommendation: Although the City has certain programs in place to address the measures described in the AICPA document, we believe that the City could strengthen its fraud deterrence programs through a comparison of its programs to the measures cited by the AICPA. For example, the City should initiate a risk assessment process that evaluates factors that could prevent the occurrence of fraud in the City. This process should involve participation from managers from selected City departments, the City’s internal auditors, and members of the Audit Committee. The objective of such a process is to document the considerations and conclusions reached to assist in the design and implementation of enhanced antifraud programs and control activities.

Management should Review the AICPA publication noted above to determine that the focus of the City’s anti-fraud evaluation efforts is adequate and complete. Perform a City-wide risk management analysis under the direction of the Audit Committee of the City Council and management to identify vulnerabilities to significant fraud, operational, and financial risks. The Audit Committee should review, on an annual basis, the City’s documented risk assessment. A comprehensive risk

assessment process includes the following steps: identify risks, assess impact, prioritize risks, develop action plans, and implement, monitor and report on necessary changes. These procedures should be performed on a continual basis in order to minimize the following kinds of risk:

- Strategic Risk – the risk that the organizational goals will not be achieved due to inadequate responses to external risk factors.
- Operational Risk – the risk that organizational goals will not be achieved due to the inability to implement effective business or operating decisions and practices.
- Financial Reporting Risk – the risk that the objectives of adequate, timely and reliable financial reporting and disclosure will not be achieved.
- Regulatory Risk – the risk that the City will be out of compliance with applicable laws and regulations.
- Fraud Risk – the risk that assets (liquid and other) will be lost through theft or other misappropriation.

The results of such assessment should be a comprehensive plan that addresses the above risks. Monitoring controls should be implemented to ensure that the policies and procedures designed by management are implemented appropriately and in a timely manner.

Status: Completed

Finding 2007-04 Allowable Cost/Cost Principles

Type of Finding: Control Over Allowable Cost

Program: HOME Investment Partnership Program CFDA 14.239, Department of Housing and Urban Development

Criteria: Salaries and wages charged to Federal awards are allowable to the extent that they are accurate, and are based on the actual effort devoted to the various functional and programmatic activities to which the salary and wage costs are charged (OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments", (2 CFR part 225), Attachment B, paragraph 8.h).

Condition Found: The City allocated payroll expenditures to the HOME Investment Partnership Program which were not related to this program.

Questioned Costs: None

Perspective: For \$17,998 of \$84,706 payroll expenditures tested, payroll amounts were not appropriately allocated according to actual time worked. The City corrected the cost reported based on the finding.

Effect: Certain payroll expenditures recorded at HOME program were not allocated to other funds where the employee actually worked. Therefore, certain federal cost initially recorded was not allowable. The City corrected the cost reported based on the finding.

Cause: There was not a routine procedure to properly allocate payroll expenditures based on actual time worked.

Recommendation: Management should establish a procedure to identify the time employees work for each grant, and allocate costs to the proper funds in the proper period.

Status: Finance Dept. staff followed up with grant program staff throughout the year to make sure costs were being allocated to the proper programs in a timely manner. In addition grant program staffing changes were made, and staff now responsible for allocating costs are completing them promptly and efficiently.

Finding 2007-05 Reporting

Type of Finding: Compliance over Reporting

Program: HOME Investment Partnership Program CFDA 14.239, Department of Housing and Urban Development

Criteria: A-102 Common Rule - Financial reporting, § _____.41; Performance reporting, § _____.40(b).and OMB Circular A-110 - Financial reporting, § _____.52; Performance reporting, § _____.51 require grant recipients to report accurate and complete information and that such information agree with the accounting records.

Condition Found: The City withdrew \$118,250 from HUD HOME funds in August 2006, and did not record the amount as government revenue and expenditure in HOME grant fund.

Questioned Costs: None

Perspective: The City withdrew \$118,250 from Department of Housing and Urban Development. The revenue and expenditure were incorrectly recorded in other non-federal program, and therefore were not reported on the HUD financial report or SEFA.

Effect: The City understated its federal expenditure.

Cause: The City Housing Agency provided incorrect accounting instruction to Financial Service Department on recording reimbursement from HOME programs of expenditures originally expended from other programs.

Recommendation: Procedure should be implemented that require the Finance Department to review all accounting instruction from City Housing Agency.

Status: All requests from Housing & Neighborhood Services staff to move transactions between programs are reviewed by the Sr. Financial Analyst of Grants Accounting and the Accounting Manager, then passed on to the Managing Director over Housing & Neighborhood Services for final approval.

Finding 2007-06 Equipment and Real Property Management***Type of Finding: Control Deficiency over Compliance, and Compliance with Equipment Requirement***

Program: Homeland Security Grant Program, CFDA 97.067, Department of Homeland Security

Criteria: OMB Circular A-102 Common Rule § __.32, and OMB Circular A-110 § __.34 defines equipment as “tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.” Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Condition Found: The City did not timely perform physical counts of equipment purchased with federal funds on a timely basis.

Questioned Costs: None

Perspective: There was no evidence that physical counts were conducted as required by federal law.

Effect: There was no evidence that physical counts were conducted as required by federal law.

Cause: There was not a routine procedure to timely perform physical counts.

Recommendation: Procedures should be implemented to ensure that a physical inventory of equipment is taken at least once every two years and reconciled to the equipment records; an appropriate control system is used to safeguard equipment, and equipment is adequately maintained.

Status: An inventory of assets purchased with federal Homeland Security Grant funds has been completed within the last six months; the City of Garland Emergency Management staff has been found compliant by the State Administrative Agent of exercising adequate control in operating the grant with the current asset database.

Question and Answers for Bid #379-09 - Professional Auditing Services

OVERALL BID QUESTIONS

There are no questions associated with this bid. If you would like to submit a question, please click on the "Create New Question" button below.

Question Deadline: Jun 16, 2009 12:00:00 PM CDT