



REQUEST FOR PROPOSALS FOR INDEPENDENT AUDIT SERVICES

I. INTRODUCTION

A. General Information

The City of La Habra Heights ("City") is seeking proposals from qualified Certified Public Accounting Firms ("Contractor" or "Respondent") to audit its financial statements for the fiscal year ending June 30, 2014 through June 30, 2016. Audits shall be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. Governmental Accountability Office's Government Auditing Standards, the provisions of the Federal Single Audit Act of 1984 (as amended in 1996), and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations.

There is no express or implied obligation for the City to reimburse Respondent for any expenses incurred in preparing proposals in response to this request. All materials submitted by Respondent are subject to public inspection under the California Public Records Act, unless exempt by the Act. Any language purporting to render the entire proposal confidential or proprietary will be ineffective and disregarded.

During the evaluation process the City reserves the right to request additional information or clarifications from the firm. At the discretion of the City, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether the proposal was selected. 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 selected firm.

A recommendation and proposed contract will be prepared for review and approval by the City Council at its January 9, 2014 meeting. The City reserves the right to reject any or all proposals. The proposal package shall present all inclusive audit fees for each year of the proposed contract term.

B. Terms of Engagement

It is the intent of the City to contract for the services presented herein for a term of three (3) years. The City reserves the right to extend the term of the contract for two (2) additional one-year terms.

C. Description of the City of La Habra Heights

La Habra Heights is a rural, residential community located in southeastern Los Angeles County. The community is bordered by Hacienda Heights to the north; La Habra to the south; Rowland Heights to the east; and Whittier to the west. City Hall offices are open Monday through Thursday from 7:30 a.m. to 6 p.m.

The City was incorporated in 1978 as a general law city and operates under a Council/Manager form of government. The City currently has a land area of 6.2 square miles and a population of about 5,300. The City's fiscal year begins July 1st and ends June 30th. The City has a full-time staff of 12 employees and contracts for most of the City's core services. The engaged audit firm will report directly to the City Council's ad-hoc audit subcommittee (composed of two council members) formed by the City Council.

II. SCOPE OF SERVICES

The City desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles. The following items serve as the Scope of Work for the professional auditing services contract:

- A. **Independent Auditors' Report:** Audit all funds and departments of the City which expended or otherwise administered City funds in conformity with generally accepted accounting principles and other applicable laws and regulations, and issue an opinion thereon. The report shall be signed and on auditor letterhead. An electronic copy and 8 hard copies are required.
- B. **Annual Financial Report:** Assist City staff with the preparation of an Annual Financial Report and its component financial statements, in full compliance with the requirements of the Governmental Accounting Standards Board (GASB).
- C. **Single Audit Report:** Perform a Single Audit on the expenditures of federal grants in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the City of La Habra Heights' financial statements in accordance with Government Auditing Standards and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133. The single audit report shall include an appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, and follow up on prior audit findings where required. An electronic copy and 8 hard copies are required.
- D. **Gann Limit:** The audit firm shall perform agreed-upon auditing procedures pertaining to the City's GANN Limit (Appropriations Limit) and render a letter annually to the City regarding compliance. An electronic copy and 8 hard copies are required.
- E. **Management Letter:** Prepare a Management Letter that notes any issues

regarding the internal control structure; items concerning compliance with laws, rules, and regulations; opportunities for more effective and efficient use of the City's resources; and other matters of interest to the City Council and management that may be included in this letter. The letter shall also include the status of prior year reportable conditions, if any, and other audit findings. The Management Letter shall be addressed to the City Manager. An electronic copy and 8 hard copies are required.

- F. **Mid-Term Progress Report:** The audit firm will be responsible for submitting a progress report with the City Manager and Finance Director on the progress of the auditor's examinations and on preliminary findings and recommendations. This report shall include a draft independent auditor's report and draft annual financial report. An electronic copy and 8 hard copies are required.
- G. **Audit Kickoff and Submission of Audit Plan:** The audit firm shall be responsible for scheduling an audit kickoff meeting with the City Manager, Finance Director, Council's ad-hoc subcommittee, and other key department personnel to discuss prior audit concerns, field work schedule, due dates for the City to provide worksheets and other requested data to the auditor, and other matters.

The audit firm shall also present all final reports to the City Manager and Finance Director by the due dates outlined in this RFP. The audit firm may also be asked to present the final reports to the City Council's ad-hoc audit subcommittee. In addition, selected Contractor may also be asked to examine or prepare other reports or perform other services as required.

- H. **Internal Controls and Compliance Reports:** The audit firm shall communicate any reportable conditions found during the audit in the required reports on compliance and internal controls. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions that are also material weaknesses shall be identified as such in the report. Non-reportable conditions discovered by the auditor shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls. The reports on compliance shall include all instances of non-compliance.

The audit firm shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware of to the City Manager, City Attorney, and Finance Director.

- I. **Working Paper Retention and Access to Working Papers:** The audit firm shall retain all working papers and reports at the auditor's expense for a minimum of five (5) years, unless the firm is notified in writing by the City of

the need to extend the retention period. The working papers are subject to review by federal and state agencies and other individuals designated by the City. Accordingly, the working papers shall be made available upon request by the following parties or their designee:

- City Manager
- Finance Director
- City Attorney
- Parties designated by the federal or state government or by the City as part of an audit quality review process
- Auditors of entities that make grants to the City

Additionally, the audit firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers.

III. INSURANCE REQUIREMENTS

- A. Contractor shall furnish Certificate of Insurance that shall contain not less than the following limits of liability:

Commercial General Liability (CGL): \$1,000,000 per occurrence
 \$2,000,000 general aggregate
- B. Contractor shall also present satisfactory evidence of valid Worker's Compensation Insurance.
- C. Contractor shall maintain insurance required herein for the entirety of the engagement.
- D. Contractor shall name City, its officers, employees, agents, and volunteers as additional insured and said insurance shall not be cancelable without thirty (30) calendar days prior written notice to City. Copies of the policies shall be provided to City prior to the commencement of work.

IV. LICENSES REQUIREMENTS

- A. Contractors shall currently possess and maintain as valid throughout the term of a contract with City a municipal business license. If Contractor does not conduct or solicit business within the City, other than with City, the license fee will be waived.
- B. Contractors shall have and maintain a valid CPA license with the California Contractors State License Board.

V. PROPOSAL CALENDAR

Issue Request for Proposal	October 30, 2013
Deadline for Proposals	November 27, 2013 at 3 p.m.
Oral Interviews (tentative)	December 9-12, 2013
Contract before Council	January 9, 2014
Award of Contract	January 9, 2014
Start of Contract	January 13, 2014

VI. AUDIT CALENDAR

Audit fieldwork
Draft Auditor's Report and Draft Annual Financial Report due
Final Auditor's Report and Final Annual Financial Report due
Management Letter due
Single Audit Report due
GANN Limit Report due

VII. RFP SUBMITTAL REQUIREMENTS

Respondents shall provide the following:

A. Firm Qualifications:

1. Provide general information about the firm, including the size of the firm, the size of the firm's governmental audit staff, the location of the office from which work on this engagement will be performed, and the number of staff to be assigned to this engagement.
2. Include resumes for the Partner, Manager, and Senior Auditor who will be assigned to this engagement. Resumes should include all relevant governmental audit experience, education, relevant continuing professional education and an indication of whether each person is licensed to practice as a certified public accountant in California.
3. Indicate how the quality and consistency of staff will be assured over the term of the engagement.
4. Include an affirmative statement that the firm is independent of the City, as defined by generally accepted auditing standards.
5. Include sufficient information regarding California local government clients and dates served. Indicate a brief scope of work, engagement partners, total hours and contact information.

6. Provide a list of at least five local government client references, preferably from California, with contact information, including: address, name and telephone number of the audit contact person within the organization. The City reserves the right to contact any or all of the listed references regarding the audit services performed by the firm.
7. Submit a copy of the report on the firm's most recent external quality control (peer) review, with a statement about whether that review included specific government engagements. Provide information on the results of any federal or state review of the firm's audits during the past three (3) years. Finally, provide any information regarding any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.
8. Include information regarding other services provided by the firm.
9. If the firm will be subcontracting any portion of the audit to another individual or firm, the proposal must include a list of all subcontractors to be used. Include the nature and extent of work to be performed by each subcontractor, as well as qualifications.

B. Audit Approach and Timing

1. Provide sufficient detail about the firm's approach to the audit including: audit procedures; the use of computers; type and extent of analytical procedures; consideration of laws; approach to understanding the City's internal control structure; assistance required from City Staff; and proposed segmentation of the audit. Segmentation should include hours by staff level required to perform the audit by classification and in total for planning, interim procedures, final audit, financial statement preparation and other report preparation.
2. Provide sufficient information to demonstrate an understanding of the objectives and scope of the engagement. Include the auditing standards to be followed and reports to be issued by the firm.

C. Cost Proposal

1. The cost proposal should contain all pricing information relative to performing the audit engagement as described in this Request for Proposal. The total all-inclusive maximum price is to contain all direct and indirect costs including all out-of-pocket expenses. A fixed monthly cost for the services identified in the Scope of Work.
2. Provide separate detail for the cost of anticipated meetings with the City Council's ad-hoc audit subcommittee. Set forth your fee proposal for the 2014 audit, with whatever guarantees can be given regarding increases in

future years. Provide your proposed fee for the required quarterly review work and for tax preparation.

3. Provide any value added services that are included within the fee quote set forth related to number 2.
4. Include the standard hourly rates by staff class for other services requested outside the scope of this engagement, including general consulting and special audits.
5. The City will not be responsible for expenses incurred in preparing and submitting the proposal. Such costs should not be included in the proposal.
6. Provide certification that the person signing the proposal is authorized to represent the firm, empowered to submit the maximum price proposal, and authorized to sign a contract with the City.

VIII. EVALUATION & SELECTION PROCESS

- A. City will evaluate all proposals, then, if necessary, interview a limited number of the most qualified vendors. The vendor evaluation and selection process will be based on the following:
 1. The firm's independence, license to practice in California, and results of the most recent peer review.
 2. Qualifications and related experience of the audit team to serve the City.
 3. The firm's experience auditing California municipalities.
 4. References of local government clients.
 5. Proposed approach to the City's audit
 6. Demonstration of understanding of the objectives and scope of the audit.
 7. Commitment to conduct the audit in a timely manner.
 8. Maximum fees to conduct the audit.
- B. Incomplete proposals or proposals that do not conform to the requirements specified herein will not be considered.
- C. City reserves the right to select or reject any and all Contractors who submit responses, to waive minor defects or technicalities contained in responses, or to solicit new Proposals on the same project or on a modified project which may include portions of the originally proposed project as City may deem in its best interest.
- D. As a Request for Proposal (RFP), this is not an invitation to bid, and, although price is very important, other factors will be taken into consideration.

IX. SUBMITTAL REQUIREMENTS AND CONTACT INFORMATION

Submit one (1) original and two (2) copies of your proposal. Proposals are to be submitted inside a sealed envelope marked on the outside with “**INDEPENDENT AUDIT SERVICES**”

ALL PROPOSALS MUST BE RECEIVED, AT THE CITY CLERK’S OFFICE AT 1245 N. HACIENDA RD., LA HABRA HEIGHTS, CA 90631, NO LATER THAN 3 P.M. ON NOVEMBER 27, 2013. NO LATE OR FAXED PROPOSALS WILL BE ACCEPTED.

X. INQUIRIES

Contractors are encouraged to promptly notify the City in writing, of any apparent major inconsistencies, problems, or ambiguities in the Scope of Service.

Any requests for clarification or other questions regarding this RFQ from qualified vendors must be submitted in writing or via email to the address shown below by **Wednesday, November 13, 2013.**

City of La Habra Heights
City Clerks Office
1245 N Hacienda Road
La Habra Heights, CA 90631

Attention: Grace Andres
Email: gracea@lhhcity.org.
Fax: 562-694-4410
Telephone: 562-694-6302 ext 222

Responses will be provided via an addendum posted on the City’s Website on **Wednesday, November 20, 2013.**

XIII. STANDARD CONTRACT

If awarded the contract, Contractor must enter into a professional services agreement with City in a form approved by the City Attorney. The standard agreement template is included herein as ATTACHMENT I. City reserves the right to change or modify this agreement. ***The term of the agreement is anticipated to be three years with the option to extend the term for two additional one-year terms.***