

# ***City of Molalla, Oregon***

***PO Box 248, 117 N. Molalla Avenue, Molalla, OR 97038***

## ***REQUEST FOR PROPOSALS***

***for***

## ***Professional Auditing Services***

***Due Date: 2:00pm, June 1, 2015***

***City Manager ..... Dan Huff***  
***Finance Director..... Heather Penni***  
***Mayor ..... Debbie Rogge***

For more information regarding this Request for Proposals,  
contact Heather Penni 503-829-6855 X 228

***FINANCE DEPARTMENT***

The City of Molalla is requesting proposals for the services of a qualified Certified Public Accounting firm to conduct the Financial Audit of the City's operations. Services will include, but are not limited to:

- Planning and performing the audit
- Performing tests of documentary evidence
- Evaluation of internal controls
- Performing tests of compliance for federal award expenditures
- Review management letter
- Review of adjusted journal entries
- Draft and final Annual Financial Report (includes approximately 25 copies and an electronic copy)
- Preparation and filing of State documents
- Assistance with submission of the City's CAFR to Secretary of State and potentially the GFOA
- Technical assistance throughout the fiscal year
- Review of Year End financial reports

## **1. Background**

The City of Molalla has a population of 8,820 and provides municipal services, including administration, finance, library, police, municipal court, public works and an urban renewal agency. City engineering and technology services are contracted with other agencies.

Accounts are organized using funds, such as the General Fund, Street Fund, Enterprise Funds. The approved budget for all City operations for Fiscal Year ending June 30, 2015 is \$19.98 million, including transfers of \$1.09 million. The City has state and federal grants; however, we are currently not subject to individual audit requirements.

The City operates under a council-administration form of government. The City Council is composed of six elected Councilors and an elected Mayor. The Council appoints the City Manager. The City Manager is responsible for all City management functions. The City currently employs 32 full time employees, 8 part time employees, and 5 summer help staff.

The Finance Department is responsible for many aspects of City operations including utility billing and cash receipting, accounts payable, accounts receivable, payroll, accounting for capital assets, collections, budgeting and financial reporting. Currently, the Finance Department consists of the Finance Director and a half time utility billing clerk and accounts payable clerk.

The City currently utilizes Caselle accounting software. Caselle modules used by the City include accounts payable, business licenses, cash receipting, court management, general ledgers, payroll, and utility management. The financial system uses primarily batch processing.

## **2. Auditing Standards**

The financial statements are prepared to conform fully to generally accepted accounting principles (GAAP) and to be in full compliance with the requirements of the Governmental Accounting Standards Board (GASB) and / or Financial Accounting Standards Board (FASB) as appropriate. The auditor's opinion will be directed toward the fairness of presentation of the financial statements in accordance with GAAP. The auditor will also provide compliance reports as required under Federal and State law, if applicable. The audit of the financial statements will be in accordance with:

- The minimum standards for audits of Oregon Municipal Corporations as adopted by the Oregon Secretary of State and approved by the Board of Accountancy;
- Generally accepted auditing standards;
- Government auditing standards;
- OMB Circular A-133 and the Single Audit Act of 1984 and any subsequent revisions.

## **3. Audit Period and Term of Engagement.**

The selected certified public accounting firm shall be designated as the City's auditor for a three-year term commencing with the fiscal year ended June 30, 2015 audit. Either party may cancel the agreement by written notice delivered prior to December 15th of each year. Such contract cancellation shall be effective on and after July 1 of the subsequent year. The City and Auditor may, by mutual agreement, extend the term of this agreement for up to two additional years.

## **4. Audit Objective and Scope of Work**

The Auditor, as part of this engagement, will conduct the following activities utilizing the appropriate standards as noted in section 2.

- a. Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements, whether caused by error or fraud and conformity with GAAP.
- b. Perform tests of documentary evidence supporting the transactions recorded in the accounts, which may include tests of the physical existence of inventories and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions.
- c. Perform tests of the City's compliance with applicable laws and regulations and provisions of contracts and agreements.
- d. Prepare a report on compliance with specific requirements applicable to major federal financial assistance programs, if required.

- e. Review the internal accounting controls of the City to the extent necessary to evaluate the system as required by applicable standards.
- f. Issue a management report making recommendations for improvements.
- g. The Auditor shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the City Manager and / or the Finance Director.
- h. Inform the City Manager of any matters involving internal control and operations the Auditor considers being reportable conditions under standards established by the American Institute of Certified Public Accountants.
- i. Provide the City with adjusting entries and a final trial balance upon completion of the field work.
- j. Meetings and progress reports:
  - 1. Pre-audit conference(s) with City management and accounting staff will be held to discuss audit schedules, working paper requirements, and report deadlines, as well as the audit program.
  - 2. Progress report meetings will be held with key audit firm personnel and City financial management staff at regular intervals mutually agreed upon.
  - 3. Post audit conference(s) with City management and key audit firm personnel will be held at a mutually agreeable date and the Auditor will be asked to present the audit to City Council.
  - 4. The audit will be a single document which will contain Financial Statements, Notes, and supplementary data, the Combined and Individual Fund and Account group Statements, Financial Statements and Schedules. An electronic copy of the audit will also be made available. Audit reports will be provided within the periods required by the State of Oregon to meet any reporting requirements.
- k. As part of the overall audit contract, the City expects to receive from the audit firm a variety of technical assistance throughout the fiscal year including answering to accounting, reporting, and / or internal control questions.
- l. All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the City of Molalla of the need to extend the retention period.
- m. Additional services: Proposals should contain provisions for dealing with extraordinary circumstances discovered during the audit that may require an expansion of audit work beyond that which was originally planned. In addition, the audit firm may be requested to perform special projects for the City during the year. Because of the variation in demand for additional services, such work will be contracted for, provided, and billed

separately to the City on an hourly basis. Proposals should describe the types of services available from the firm, the professionals who would provide the service and the standard hourly rate to be charged for such service.

- n. Upon request, a copy of the previous year's audit will be made available to Proposers.
- o. Use of Audit Reports. Ownership shall belong to the City of Molalla and it is expressly understood that publication of the audit report (in whole or in part) or reference for such audit report shall be at the sole discretion of the City of Molalla.

## **5. Mandatory Qualifications**

The audit firm must meet the following mandatory requirements: contractor must be registered to do business in the State of Oregon; the Principal Auditor must be a Certified Public Accountant qualified to perform municipal audits in the State of Oregon; the contractor must have experience in performing municipal audits in accordance with auditing standards generally accepted in the United States of America, preparing financial statements compliant with GASB 34, GASB 45, GASB 54, and other applicable GASB requirements and Oregon Budget Law.

## **6. Proposal Requirements**

The proposal shall demonstrate that the firm will furnish the services in a manner that will be cost effective for the City of Molalla. Those proposals that do not contain all the information required by this RFP or are otherwise non-responsive may be rejected immediately; however, the City has discretion to accept a proposal that does not conform with all RFP requirements if the City determines that the non-compliance is not substantial or material. If a proposal is unclear, or appears inadequate, the City may at its discretion give the firm an opportunity to explain how the proposal complies with the RFP requirements. The proposal must contain at least the following information:

- a. A title page showing the firm's name, the date of proposal, point of contacts, business address, telephone numbers, and email addresses.
- b. A letter, submitted on the firm's letterhead and signed by the corporate agent, owner, or principal, describing how the firm satisfies the mandatory requirements noted above and the firm's experience in performing municipal auditing in the State of Oregon. The letter must also contain a certification that the person signing the proposal is entitled to represent the audit firm, empowered to submit the bid, and authorized to sign a contract with the City on behalf of the audit firm.
- c. A history of the firm as a business entity, including information that demonstrates the firm's financial stability and entity stability.

- d. Describe your local office's experience and knowledge in performing examinations in accordance with the provisions of the Single Audit Act, as amended by OMB Circular A-133.
- e. Provide a copy of your firm's most recent Peer review report.
- f. Disclose legal settlements within the last two years and pending or threatened legal actions related to audit services provided by the local firm.
- g. Describe any personal, business, and investment or family relationships with the city, City officials or appointed employees.
- h. Provide a list of your firm's current municipal auditing engagements for clients in Oregon served within the last five years. Include contact information for a minimum of five (5) municipal clients to be contacted for reference that includes the client's address, phone number and email contact. All clients must be public entities.
- i. Names and Oregon Municipal Audit Roster numbers of the partners, managers, and key staff employees assigned to this engagement. Describe their roles and provide a brief description of their professional experience. Please identify the audit team leaders and describe your firm's personnel development program and your continuing professional education requirements including the specialized areas of municipal accounting and auditing.
- j. Provide a proposed work schedule and work plan for completing the audit. The work schedule should be structured so as to deliver the audit to the City Council no later than the City's first Council meeting of December each year.
- k. Attach to your proposal one sample management letter that you have recently issued covering an audit of an Oregon municipality.
- l. Comment on your firm's ability and willingness to provide constructive suggestions for improving the City's internal accounting controls, administrative procedures and financial processes.
- m. Explain how you propose to use City personnel to assist you during the audit.
- n. Comment on your ability to assist City personnel in qualifying for the GFOA's Certificate of Achievement in Financial Reporting program.
- o. Provide any additional information that supports the scope of work to be provided as set forth above.
- p. Provide a fee schedule and estimated project cost showing cost for each of the three-year contract period, including out-of-pocket expenses and estimated hours each audit firm employee is expected to spend annually on the audit.

- q. As part of the overall audit contract, the City expects to receive from the audit firm a variety of technical assistance throughout the fiscal year that may include inquiries regarding accounting, reporting and internal control issues. Indicate fees for these services and / or if they are included in your total annual base fee.

Proposers may submit additional questions and clarification requests to the Finance Director Heather Penni using the contact information listed at the end of this RFP. Proposers shall refrain from initiating contact with City representatives other than Heather Penni for the purposes of obtaining information for the use in preparation of proposals.

Firms may modify or withdraw their proposals at any time prior to the Closing Date by providing a written request for modification or withdrawal to the City of Molalla Finance Director. Any amendments to this RFP will be in writing and will be issued to all persons or businesses that have indicated an interest to receive RFP amendments. No proposal will be considered if it is not responsive to any issued amendments.

## **7. Proposal Evaluation**

The City intends to select the most qualified certified public accounting firm that exhibits the strongest ability to provide the highest quality service, based upon the following criteria:

### Weight Criteria

- 40% Firm's understanding of the engagement and the City's needs including quality and comprehensiveness of the audit approach.
- 15% Firm's local municipal audit expertise/experience including references from similar engagements.
- 15% Experience and qualifications of individuals to be assigned to the City's engagement including resources available for the timely completion of the audit and scheduling of work.
- 30% Cost of services.

Proposals submitted will be reviewed and scored by committee and the City Manager will make a recommendation to the City Council. At the discretion of the City, finalist may be asked to make a presentation of their proposal. The presentation interviews will be scheduled by the Finance Director.

The selection team shall be the City of Molalla's Finance Committee, comprised of the Mayor, up to two City Councilors, City Manager, City Recorder with assistance provided by the City's Finance Director.

## 8. Proposal Award Schedule Timeline

RFP Advertised	May 7, 2015
Proposals Due By	June 1, 2015 (2:00pm, PST)
Document Opening	June 1, 2015 (4:00pm, PST)
Selection of Finalist	June 2-3, 2015
Interview (if needed)	June 4-9, 2015
Notice of Intent to Award	June 10, 2015 (9:00am, PST)
City Council Approval	June 10, 2015 (7:00pm, PST)

Note: This is the City's desired project schedule, the City reserves the right to modify the schedule.

## 9. Proposal Submission

Submittal Deadline:

Four copies of the proposal must be received at Molalla City Hall by 2:00pm on June 1, 2015. City Hall hours are:

- Monday through Friday 8:30am – 1:00pm and 2:00pm – 4:00pm for hand delivered proposals.

Proposals received after the deadline will not be eligible for consideration. Proposals should be marked with the title "Municipal Auditing Services Proposal".

Proposals should be directed to: City of Molalla, Attn: Heather Penni, Finance Director

Hand Delivery: 117 N. Molalla Avenue, Molalla, OR 97038

Mail: PO Box 248, Molalla, OR 97038

Questions and clarification should be directed to:

Heather Penni  
Phone: 503-829-6855 x 228  
Email: hpenni@cityofmolalla.com