

REQUEST FOR PROPOSAL

PROFESSIONAL AUDITING SERVICES



RFP # 2013-06-02
DUE DATE: Friday, July 19, 2013
@ 2:00 P.M. C.ST.

CITY OF FULSHEAR, TEXAS
P.O. BOX 279
30603 F.M. 1093
FULSHEAR, TX 77441
(281)346-1796
www.fulsheartexas.gov

A professional services contract will be awarded at a City Council meeting to be held on August 20, 2013 at 7:00pm. The meeting will be held at:
City Hall
30603 FM 1093 RD
Fulshear, Texas 77441

CONTENTS

Introduction	3
Definitions, Terms and Conditions	3
General Information	5
Scope of Work	6
Special Provisions	6
Technical Requirements	9
Work Schedule & Proposed Timeline	12
Evaluation Factors	13
Pricing	13
Format Requirement	15
Certification	16

INTRODUCTION

The City of Fulshear is soliciting Proposal(s) (RFP's) from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending September 30, 2013, with the option of renewing.

Response packages will be accepted until 2:00 p.m. on Friday, July 19, 2013 and should be addressed to:

Finance Officer
City of Fulshear
30603 F.M. 1093 Rd.
P.O. Box 279
Fulshear, Texas 77441

All Proposals shall be submitted in two (2) parts:

- I. Qualifications shall be received in a sealed envelope by the time and date specified. Four (4) copies shall be included - 1 original, 2 copies and one (1) electronic version.
- II. Contract pricing shall be received under separate cover submitted at the same time as the Qualifications are received - by the time and date specified herein. Four (4) copies shall be included - 1 original, 2 copies and one (1) electronic version.

DEFINITIONS, TERMS AND CONDITIONS

Definitions

In order to simplify the language throughout this request for qualification, the following definitions shall apply:

CITY OF FULSHEAR – Same as City.

CITY COUNCIL – The elected officials of the City of Fulshear, Texas given the authority to exercise such powers and jurisdiction of all City business as conferred by the State Constitution and Laws.

CONTRACT – An agreement between the City and a Supplier to furnish supplies and/or services over a designated period of time during which repeated purchases are made of the commodity and/or service specified.

CITY – The government of the City of Fulshear, Texas.

FIRM – The successful Offeror of this request.

RFP – Request for Proposal

Receipt of Proposals

The submitted Proposal(s) must be received by the Finance Office prior to the time and date specified. The mere fact that the Proposal was dispatched will not be considered; the firm must insure that the Proposal is actually delivered.

Questions and Inquiries

Questions and inquiries about this Request for Proposal should be directed to Kristi Brashear, Finance Officer at (281)346-1796. Questions should be submitted in writing at least three days prior to the specified due date of the RFP.

Reservations

The City reserves the right to accept or reject any or all Proposals as a result of this request, to negotiate with all qualified sources, or to cancel, in part or in its entirety, this Request for Proposal if found in the best interest of the City. All Proposals become the property of the City of Fulshear.

Reimbursements

There is no express or implied obligation for The City of Fulshear to reimburse responding firms for any expenses incurred in preparing Proposals in response to this Request for Proposal and City of Fulshear will not reimburse responding firms for these expenses, nor will City pay any subsequent costs associated with the provision of any additional information or presentation, or to procure a contract for these services.

Certification

Proposals must be completed and submitted as required in this document. Certification form must be fully completed.

Communication

The City shall not be responsible for any verbal communication between any employee of the City and any potential firm. Only written requirements and qualifications will be considered.

Management

Should there be a change in ownership or management; the contract shall be canceled unless a mutual agreement is reached with the new owner or manager to continue the contract with its present provisions and prices. This contract is nontransferable by either party.

Payment Terms

Invoices must be submitted by the vendor in duplicate to the City of Fulshear, P.O. Box 279, Fulshear, Texas 77441. If invoices are subject to cash discount, discount period to be taken from the date of completion of order or date of receipt of invoice, whichever occurs last regardless of whether correct discount terms appear on invoice. All invoices to be paid in full within 30 days after satisfactory delivery of services and billing.

Negotiations

Negotiations may be conducted with responsible respondents who submit Proposals that are reasonably susceptible of being selected. All firm(s) reasonably susceptible of being selected based on criteria set forth in this RFP may be given an opportunity to make a presentation and/or interview with the Selection Committee. Following any presentation and/or interviews, firms will be ranked in order of preference and contract negotiations will begin with the top ranked firm. Should negotiations with the highest ranked firm fail to yield a contract, or if the firm is

unable to execute said contract, negotiations will be formally ended and then commence with the second highest ranked firm, etc.

Award of the Contract

Award of the contract shall be made to the responsible offeror whose proposal is determined to be the lowest evaluated offer resulting from negotiations, taking into consideration the relative importance of price and other factors set forth in this request for qualifications.

GENERAL INFORMATION

The City of Fulshear is located in northwest Fort Bend County, Texas, at the crossroads of FM 359 and FM 1093. The city limits stretch across approximately 11 square miles of beautiful landscape ranging from rolling terrain dotted with century old hardwoods, grassy prairie land and serene low lands along the banks of the Brazos River.

The City of Fulshear was incorporated in 1977 and is a general law city with a population of approximately 4000. Primarily farm and ranch community with a growing commercial district, Fulshear offers residents a relaxed country lifestyle and the convenience of being just seven miles from major shopping, dining and entertainment venues.

Fulshear Texas is Fort Bend County's premier address featuring the highest per capita income and educational attainment in the area. Fulshear is rich in history; unique in landscape, and is located only 20 minutes from the Katy Houston area.

The City is organized into five (5) departments. The accounting and financial reporting functions of the City are centralized.

The most recent copy of the City's Annual Budget can be found at www.fulsheartexas.gov. The City's Annual Financial Report and Chart of Accounts is available upon request from the office of the Finance Officer 30603 FM 1093 Rd. PO Box 279 Fulshear TX 77441. (281) 346-1796.

SCOPE OF WORK

The City of Fulshear is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending September 30, 2013, with the option of renewing. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) Government Auditing Standards (1994 Revision, as amended); the provisions of the Federal Single Audit Act of 198, as amended, and the Single Audit Act Amendments of 1996; and the U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments and Non-Profit Organizations.

SPECIAL PROVISIONS

GASB Statements 33, 34, 37, and 38

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board (GASB) as mandated by auditing standards generally accepted in the United States. Beginning with the fiscal year ended September 30, 2003, the City will implement the provisions required by the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of October 1, 1998; GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions; GASB Statement No. 37, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments: Omnibus; and GASB Statement No. 38, Certain Financial Statement Note Disclosures.

Reports, Schedules, and Statements to be Issued

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

- ◆ An independent auditor's report on the fair presentation of the financial statements in conformity with accounting principals generally accepted in the United States of America.
- ◆ An independent auditor's report on the compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with governmental auditing standards.
- ◆ An independent auditor's report on the compliance with requirements applicable to each major program, internal control over compliance and schedule of expenditures of federal awards in accordance with OMB Circular A-133.
- ◆ A schedule of findings and questioned costs.
- ◆ A summary schedule of prior audit finding and corrective action plan.
- ◆ Auditor's letter of recommendations to management.

Additional Reporting Considerations

- ◆ In the required reports on internal control, the auditor shall communicate any reportable conditions found during the audit. A reportable condition is 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 or which could adversely affect the organization's ability to comply with federal laws and regulations.
- ◆ Reportable conditions that are individually or cumulatively material weaknesses shall be identified as such in the report.
- ◆ Deficiencies in internal control that are not reportable conditions that are detected by the auditors shall be reported in the separate letter of recommendations to management, which shall be referred to in the reports on internal controls.
- ◆ The reports on compliance shall include all instances of noncompliance.
- ◆ Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties in the Finance Department: City Manager and Finance Director

- ◆ Additionally, the Auditor may be required to make presentation to the City Council summarizing the work performed and any relevant findings during the audit.

Reporting to the City Council

Auditors shall assure themselves that the City's governing body is informed of each of the following:

- ◆ The auditor's responsibility under generally accepted auditing standards
- ◆ Significant accounting policies
- ◆ Management judgments and accounting estimates
- ◆ Significant audit adjustments
- ◆ Other information in documents containing audited financial statements
- ◆ Disagreements with management
- ◆ Management consultation with other accountants
- ◆ Major issues discussed management prior to retention
- ◆ Difficulties encountered in performing the audit
- ◆ Other matters required by GAAS, such as reporting of illegal acts, etc.

Sale of Debt Securities

The City anticipates it will prepare one or more official statements in connection with the sale of debt securities that will contain the general-purpose financial statements or basic financial statements and the auditor's report thereon. The auditor may be required, if requested by the City, to issue a "consent and citation of expertise" as the auditor and to issue any necessary "comfort letters".

Working Papers

All working papers and reports must be retained at the auditor's expense, for a minimum of three (3) years, 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 Fulshear

The United States Department of Housing and Urban Development

U.S. General Accounting Office

The Texas State Comptrollers Office

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

Officials of federal or state departments that provide financial assistance to the City

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

Fund Structure

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

Fund Types

General Fund
Capital Projects Fund
Special Revenue Funds
2 Enterprise Funds

Assistance Provided by City

The Finance Department staff and other responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The City will prepare all working trial balances, supporting schedules, supporting working papers, and requests for confirmations as reasonably requested by the auditors, on a basis consistent with the timetable outlined below. Other assistance that can be expected follows:

- ◆ Information System Assistance - personnel will be available to provide systems documentation and explanation. The auditor will be provided computer time for "Inquiry Only" functions.
- ◆ Work Area, Telephone, Photocopying and Facsimile Machines - the City will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to one telephone line, photocopying facilities and FAX machine(s).

TECHNICAL REQUIREMENTS

General Requirements

The purpose of this Technical Section is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of the City's financial statements in conformity with the requirements of this request for proposal. As such, the substance of the proposal(s) will carry more weight than their form or manner of presentation. The Technical Section 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 proposal requirements.

The Technical Section should address all the points outlined in the request for proposal. The Section should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposal. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included in that order. They represent the criteria against which the proposal will be evaluated.

Independence

The firm should provide the following:

- ◆ An affirmative statement that it is independent of the City as defined by generally accepted auditing standards and the U.S. General Accounting Office's Governmental Auditing Standards 1994 Revision, as amended.

- ◆ An affirmative statement that is independent of all of the component units of the City as defined by those same standards.
- ◆ A list describing the firm's (or proposed subcontractors') professional relationships involving the City or any of its component units 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.
- ◆ Written notice of any professional relationships entered into during the period of this agreement.
- ◆ An affirmative statement that the firm and assigned key professional staffs are properly licensed to practice in the State of Texas.

Firm Qualifications and Experience

The proposer should state the following:

- ◆ Size of the firm
- ◆ Size of the firm's governmental audit staff
- ◆ Location of the office from which work on this engagement is to be performed
- ◆ Number and nature of the professional staff to be employed in this engagement on a full-time basis, and
- ◆ 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 should also provide the following:

- ◆ 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 governmental engagements.
- ◆ Information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years.
- ◆ 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.

Partner, Supervisory and Staff Qualifications and Experience

- ◆ Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who will be assigned to the engagement. Indicate whether each person is registered or licensed to practice as a certified public accountant in Texas.
- ◆ Provide information on the governmental 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.

Engagement partners, managers, other supervisory staff and specialist 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 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 and experience.

Similar Engagements with Other Governmental Entities

- ◆ For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last five (5) 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, email address and telephone number of the principal client contact.

Methodology and 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 this request for proposal. In developing the work plan, reference should be made to such sources of information as the City's 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:

- ◆ Proposed segmentation of the engagement
- ◆ Level of staff and number of hours to be assigned to each proposed segment of the engagement
- ◆ Sample size and the extent to which statistical sampling is to be used in the engagement
- ◆ Extent to which EDP software will be used to test the City's financial systems during the engagement
- ◆ Type and extent of analytical procedures to be used in the engagement
- ◆ Approach to be taken to gain and document an understanding of the City's internal control structure
- ◆ Approach to be taken in determining laws and regulations that will subject to audit test work
- ◆ Approach to be taken in drawing audit sample for purposes of tests of compliance
- ◆ Areas/departments that will be subject to compliance and substantive sampling. Preference will be given to firms sampling from all City departments, not just federal programs
- ◆ How the audit approach will differ, if applicable, in the second and subsequent years of the engagement regarding the planned staff level, sample sizes, test work, sampling techniques, and other aspects of the engagement.

- ◆ Identification and description of any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the City.

Report Format

The proposal should include sample formats for required reports

WORK SCHEDULE AND PROPOSED TIMELINE

The following key dates relating to the City's preparation of the Financial Report and the related audit may be subject to change by mutual negotiated approval during the Contract period.

September 2013 - Entrance Conference to Commence Year-End Work

December 2013 - Progress Conference

January 24, 2014- Field Work Complete

February 2014 - Exit Conference

February 18, 2014 - Council Presentation

EVALUATION FACTORS

After receipt of proposals, City of Fulshear will use the following criteria in the selection process as more fully defined in the Technical Requirements section of this request for proposal:

- 15% Independence - an affirmative statement that the firm is independent of the City
- 10% License to Practice - an affirmative statement that the firm is licensed to practice in Texas
- 20% Firm Qualifications and Experience
- 10% Partner, Supervisory and Staff Qualifications and Experience
- 15% References - Similar Engagements with Other Governmental Entities
- 15% Methodology and Audit Approach including timeline for completion
- 10% Identification of Anticipated Potential Audit Problems
- 5% Report Format

PRICING

Subsequent evaluation will be done on the following:

General

Contract pricing shall be received under separate cover, sealed and submitted at the same time as the Qualifications are received - by the time and date specified herein. Four (4) copies shall be provided and should include a completed summary of professional fees and expenses to support a total all-inclusive maximum contract price and related schedule for subsequent contract years. One (1) original, two (2) copies, and one (1) electronic version.

Out-of-Pocket Expenses Included in the Total All-Inclusive Maximum Contract 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 included in the all-inclusive maximum contract price, and be charged against the total all-inclusive maximum price submitted by the firm. In addition, a statement must be included in the pricing section stating the firm will accept reimbursement for travel, lodging and subsistence at the prevailing City rates for its employees.

Rates for Additional Professional Services

If it should become necessary for the City to request the auditor to render any additional services to either supplement the services requested in the request for proposal 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 the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the pricing section.

Manner of Payment

A total of two 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 pricing portion of the proposal. The first interim billing shall cover the auditor's field work. Final billing shall cover the auditor's drafting and preparation of all reports, schedules, and financial statements requested in the request for proposal. The final bill shall include a schedule of charges by report and hours by report and charges per major grant. A period of at least one month should lapse between billings. The final bill payment will be withheld pending delivery of all final reports, schedules, financial statements, and council presentation.

FORMAT REQUIREMENT

The format should conform to the format prescribed below. Four (4) copies should be provided.

TAB A	Transmittal Letter
TAB B	Statement of Independence
TAB C	Statement of License in Texas
TAB D	Firm Qualifications and Experience
TAB E	Partner, Supervisory and Staff Qualifications and Experience
TAB F	References - Similar Engagements with Other Governmental Entities
TAB G	Methodology and Audit Approach
TAB H	Identification of Anticipated Audit Problems
TAB I	Report Format

CERTIFICATION

The undersigned affirms that they are duly authorized to execute this contract, that this RFP has not been prepared in collusion with any other firm, and that the contents of this RFP have not been communicated to any other firm prior to the official opening of this RFP. Additionally, the undersigned affirms that the firm is willing to sign the enclosed Standard Form of Agreement (if applicable).

Signed By: _____ Title: _____

Typed Name: _____ Company Name: _____

Phone No.: _____ Fax No.: _____

Email: _____

Bid Address: _____

P.O. Box or Street City State Zip

Order Address: _____

P.O. Box or Street City State Zip

Remit Address: _____

P.O. Box or Street City State Zip

Federal Tax ID No.: _____

Date: _____

END OF RFP NO. 2013-06-02