



**CITY OF CARMEL-BY-THE-SEA  
REQUEST FOR PROPOSALS  
AUDITING SERVICES  
RFP#17-18-006: AUDITING SERVICES**



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**1. INTRODUCTION AND OVERVIEW**

**A. Overview of Scope of Services**

The City of Carmel-by-the-Sea is seeking proposals from qualified certified public accountant firms to conduct an annual independent audit of its financial statements, commencing with the fiscal year ending June 30, 2018. Audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States and the US Office of Management and Budget (OMB) *Circular A-133 Audits of State and Local Governments and Non-Profit Organizations*, as well as other applicable laws, regulations and rules.

The services to be performed include:

- Audit of the Annual Financial Statements
- Preparation of the Annual Report of Financial Transactions (State Controller's Report) for both the City and its Public Improvement Authority
- Annual audit of the Harrison Memorial Library as a separate discrete unit

The City proposes to enter into a professional services agreement with the selected firm for two (2) periods of three (3) years each, commencing with the audit of the fiscal years ending June 30, 2018 through June 30, 2020, and upon satisfactory service, the second period commencing with the audit of the fiscal years ending June 30, 2021 through June 30, 2023.

**2. SERVICES TO BE PERFORMED**

**A. Overview of Scope of Services- Reports**

The selected firm will prepare an audit opinion as to the fair presentation of the basic financial statements of the City in accordance with generally accepted accounting principles (GAAP) and applicable laws and regulations. The selected firm will be required to prepare an auditor's opinion and report for the following items:

**1. Audit of the Annual Financial Statements**

- Auditor's opinion
- Independent auditor's compliance report
- Independent auditor's report on internal control structure
- Accounting of the revenue received from Measure D and the expenditures funded by Measure D
- An electronic copy and ten (10) copies shall be delivered to the City



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2. **Annual audit of the Harrison Memorial Library as a separate discrete unit**
  - Auditor's opinion
  - Independent auditor's compliance report
  - Independent auditor's report on internal control structure
  - An electronic copy and one (1) copy shall be delivered to the City
3. **Annual audit of the Measure X local transportation sales tax measure**
  - Audit of revenue received and expenditures made
  - An electronic copy and one (1) copy shall be delivered to the City

**B. Overview of Scope of Services- Communications**

It is anticipated that the selected firm will also undertake the following tasks in coordination with the completion of the required reports and the costs for these task should be factored into the fee proposal.

1. **Work papers:** The audit firm will prepare all audit work papers needed to express an opinion on the fairness of the presentation of the City's financial statements.
2. **Interim Meetings and Reports:** The auditors shall meet weekly, as needed, with City staff to discuss the status of the audit, outstanding items and information requests, potential management comments or audit findings, potential audit adjustments and status of deliverables (any potential cost overruns, project schedule, estimated completion date of reports).
3. **Auditor Communication with Those Charged with Governance:** The audit firm will issue an Auditor's Communication report at the end of each fiscal year engagement that advises the City of any significant deficiencies or material weaknesses in internal controls, identifies any area(s) for improvement regarding financial management and internal controls and makes recommendations appropriate. A statement indicating no significant deficiencies or material weaknesses or area for improvement would be required if no findings exist.
4. **Exit Conferences:** Exit conferences are required at the conclusion of the interim and field work for each fiscal year of the audit engagement. These conferences shall be held with City finance staff, the Assistant City Administrator and the City Administrator.
5. **Presentation:** The audit firm shall present the annual audited financial statements and the auditor's communication report to City Council.
6. **Other consultation services:** The auditor shall be available for consultation by phone on accounting and financial issues during the course of the year at no extra cost. The selected firm shall also serve as the auditor for certain additional



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projects or studies as requested by the City. Separate engagement letters will be negotiated for such special requests.

**C. City Information**

On November 26, 2012, the City passed a one (1) percent transaction and use tax for a period of ten (10) years known as “Measure D” that became effective on April 1, 2013. Per Carmel Municipal Code, the tax is a general tax whose proceeds shall be deposited in the City’s general fund and expended for any lawful purpose of the City. In particular, the voter-approved initiative sought funding “to maintain essential services including fire, ambulance and police response times; fund capital needs including streets, beach, parks, forest and trails; increase code compliance; maintain libraries, Sunset Center and other public facilities; address CalPERS pension liabilities and other debt; and provide other general City services.” Measure D revenue is between \$2.5 - \$3.0 million annually.

Harrison Memorial Library is the municipal library of the City of Carmel by the Sea, established by ordinance of the City pursuant to statutory authority provided by the California Education Code. The Board of Trustees is appointed by the City Council. Under the terms of a Memorandum of Agreement dated April 23, 2008, the City provides funding for library personnel, capital improvements and maintenance. The City proposes to enter into a professional services agreement with the selected firm for two (2) periods of three (3) years each, commencing with the audit of the fiscal years ending June 30, 2018 through June 30, 2020, and upon satisfactory service, the second period commencing with the audit of the fiscal years ending June 30, 2021 through June 30, 2023. Funding for library materials, services and equipment – approximately \$325,000 per year - comes from the Carmel Public Library Foundation, Friends of Harrison Memorial Library, Library Operations (fines and fees), and donations. The Library is a separate reporting entity for financial reporting purposes, and the Board of Trustees contracts with a bookkeeping service to prepare monthly financial statements. It prepares its financial statements on the cash basis of accounting.

On November 8, 2016, the Monterey County voters approved Measure X, a three-eighths cent transaction and use tax for local transportation program and projects. The City is required to have an independent audit of the Measure X revenues received and the expenditures made using these funds completed by December 31. The City receives about \$150,000 in Measure X funds annually.

Additional information pertaining to the City’s Fiscal Year 2017-18 budget can be found at <http://ci.carmel.ca.us/carmel/index.cfm/linkservid/A00021D4-3048-7B3D-C565CED12E6AB4BD/showMeta/0/>.



**CITY OF CARMEL-BY-THE-SEA  
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AUDITING SERVICES  
RFP#17-18-006: AUDITING SERVICES**

**3. PROPOSAL PROCESS**

**A. Distribution of Proposals**

The City will issue the Request for Proposal on Thursday, April 12, 2018.

**B. Submission of Proposals**

**Questions:** The City is not holding a pre-proposal bidders conference. All proposal-related questions should be submitted via e-mail to Robin Scattini, Finance Manager at [rscattini@ci.carmel.ca.us](mailto:rscattini@ci.carmel.ca.us) by no later than 5:00 PM on Thursday, April 19, 2018.

**Submittal Deadline:** Proposals must be delivered on or before 5:00 p.m. on Friday, May 4, 2018 and should not exceed twenty (20) pages. All proposals received after that time will be returned to the Proposer unopened. Proposals shall be submitted to:

City of Carmel-by-the-Sea  
Attn: City Clerk  
P.O. Box CC  
Carmel-by-the-Sea, CA 93921

The Proposer shall submit one (1) original and four (4) copies of its proposal in a sealed envelope, addressed as noted above, bearing the Proposer's name and address clearly marked with RFP#17-18-006- AUDITING SERVICES.

**C. Proposal Review**

Each proposal will be initially reviewed and evaluated in order to select the finalists for the interview. The City will notify those firms selected for an interview. Firms not selected for an interview will be notified that their proposal will no longer be considered unless the interview committee finds that after the completion of the initial interviews additional firms should be interviewed.

**D. RFP Process Key Dates**

RFP Issued	Thursday, April 12, 2018
Submittal of Clarification Questions	Thursday, April 19, 2018
<b>Deadline for Receipt of Proposals</b>	<b>Friday, May 4, 2018</b>
Notification of Firms Selected for Interview	Friday, May 11, 2018
Evaluation of Proposals/Interviews (tentative)	Monday, May 21- Thursday, May 24, 2018



**CITY OF CARMEL-BY-THE-SEA  
REQUEST FOR PROPOSALS  
AUDITING SERVICES  
RFP#17-18-006: AUDITING SERVICES**

Final Selection/Award of Contract by City Council	Tuesday, June 5, 2018
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**4. FORMAT OF RESPONSE**

Proposals should be brief, but specific, and not exceed twenty (20) pages. All proposals shall address the following items in the order listed below.

- A. Mandatory Qualifications:** The proposer should disclose the local office that will be providing resources for the audit and respond as to the qualifications as they relate specifically to that office.
- i. Affirmation that the proposer and all assigned key professional staff are properly licensed for public practice as a Certified Public Accountant in the State of California.
  - ii. Affirmation that the proposer meets the independence requirements of the *Generally Accepted Government Auditing Standards*, as published by the U.S. General Accounting Office.
  - iii. Affirmation that the respondent and any employees proposed to be assigned to the audits do not have a record of substandard audit work nor have any outstanding claim of substandard work or unsatisfactory performance pending with the State Board of Accountancy or other professional organizations.
  - iv. Affirmation that the office has successfully completed two or more engagements of local government agencies with a population of 5,000 or more and \$20 million or more in general government revenues in the past two years.
- B. Qualifications of the Firm and Experience:** The proposer shall state the size of the firm, the size of the firm's governmental audit staff and the location of the office from which the work will be performed.
- C. Staff Qualifications and Experience:** The proposer should list the specific partner who will oversee this engagement; the list of personnel assigned to the audits, the responsibility level of each specific staff members and their relevant experience governmental auditing. Discuss commitments you will make to staff continuity, including your staff turnover experience in the last three years.
- D. Experience with Similar Governmental Entities:** List the most significant engagements performed in the last two years that are most similar to the engagements described under the scope of services within this proposal. Provide the names and contact information for other, similarly sized clients of the partner and manager that will be assigned to our organization for reference purposes.
- E. Approach:** Describe how your firm will approach the audit of the organization, including the use of any association or affiliate member from personnel, the areas



**CITY OF CARMEL-BY-THE-SEA  
REQUEST FOR PROPOSALS  
AUDITING SERVICES  
RFP#17-18-006: AUDITING SERVICES**

that will receive primary emphasis and the communication process used to discuss issues with the management and City Council of the City.

- F. Timeline/Work Plan:** Submit a work plan to accomplish the scope of the audits including a time estimate for each significant segment of work and the level of staff to be assigned. Proposed timeline for auditor firm includes:

Preliminary/Interim Audit	By Mid-August
Start Final Audit	By Mid-Sept
Completion of Audit Field Work	By Mid- October
Submit draft report to Finance Manager	By End October
Final printed copies of reports delivered to City	By End-November
Report to City Council on agenda	First Tuesday in December

- G. Peer Review Report:** Include a copy of your firm’s most recent peer review report, the related letter of comments, and the firm’s response to the letter of comments.

- H. Price:** The proposal cost should include all pricing information relative to performing the audit engagements described in this RFP. The total price is to contain all direct and indirect costs including all out-of-pocket expenses for items such as printing and travel. The standard hourly rates and hours to complete the scope of services should be included in a similar format:

Personnel	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total Cost
Partner Manager Supervisory Staff Staff Other (specify)				
Out-of-pocket Expenses				
<b>Total All-inclusive Price</b>				

Report	Hours			Total Cost
Annual Financial Statement				
State Controller’s report				
Library				
TOT				



**CITY OF CARMEL-BY-THE-SEA  
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AUDITING SERVICES  
RFP#17-18-006: AUDITING SERVICES**

Printing (All reports)				
<b>Total All-inclusive Price</b>				

**5. SELECTION CRITERIA**

City staff will evaluate the proposals provided in response to this RFP based on the criteria listed below. Selected firms may be required to participate in an oral interview.

- A. Responsiveness of the proposal, illustrating the firm and assigned personnel; understand the operations of city government and accounting requirements;
- B. Qualifications of the firm in governmental audits and internal control review, including qualifications and experience of assigned staff; assurance of staff continuity over multi-year engagement period;
- C. Proposed work plan, including proposed audit procedures and timeline;
- D. Estimated hours and hourly rate of personnel and for assigned tasks/services

**6. RIGHTS OF THE CITY**

This RFP does not commit the City to enter into a contract, nor does it obligate the City to pay for any costs incurred in preparation and submission of proposals or in anticipation of a contract. The City reserves the right to:

- Make the selection based on its sole discretion;
- Reject any and all proposals;
- Issue subsequent Requests for Proposals;
- Postpone opening for its own convenience;
- Remedy technical errors in the Request for Proposals process;
- Negotiate with any, all or none of the Proposers;
- Accept other than the lowest offer;
- Waive informalities and irregularities in the Proposals and/or
- Enter into an agreement with another Proposer in the event the originally selected Proposer defaults or fails to execute an agreement with the City.

Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et set.), unless exempt. An agreement shall not be binding or valid with the City unless and until it is executed by authorized representatives of the City and of the Proposer. The selected firm will be require to meet all City contracting requirements.