



**August 10, 2018**

**REQUEST FOR PROPOSALS (RFP)  
PROFESSIONAL AUDITING SERVICES  
RFP# 18-02**

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**Proposals Due:** **August 31, 2018 at 2:00 p.m.**

Proposals for the services specified will be received by the City of McLendon-Chisholm until the date and time indicated above. Please submit seven (7) bound copies of the proposal, and one unbound copy suitable for reproduction and one pdf.

**Delivery and Mailing Address:** **City of McLendon-Chisholm  
Attn: Lisa Palomba, City Secretary  
1371 W. FM 550  
McLendon-Chisholm, TX 75032**

Late submissions will not be considered. Proposals must be clearly labeled "Proposal for Auditing Services" with the respondent's name and address clearly indicated on the front of the envelope. Additional instructions for preparing a proposal are provided within.

**RESPONDENTS ARE STRONGLY ENCOURAGED TO CAREFULLY READ THE ENTIRE DOCUMENT  
PRIOR TO SUBMITTING A RESPONSE.**

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For questions regarding this RFP contact: **Lisa Palomba, City Secretary**  
**972-524-2077**  
[lisa@mclendon-chisholm.com](mailto:lisa@mclendon-chisholm.com)

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**Please note that all submissions must be received at the designated location by the deadline shown.** Proposals received after the date and time above will not be considered for the award of the contract. Facsimile or electronic transmittals will not be accepted.

**Contact with City of McLendon-Chisholm elected officials or staff, other than Lisa Palomba, regarding the RFP is strictly prohibited, and may be grounds for elimination from the selection process.**

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## **SECTION I:** **INTRODUCTION & SERVICES REQUIRED**

### **A. General Information**

The City of McLendon-Chisholm, Texas, a general law type A city, is requesting proposals from qualified CPA firms to audit its financial statements for the fiscal year ending September 30, 2018 (FY18), and each of the four (4) subsequent fiscal years (FY19 – FY22).

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

To be considered, seven (7) bound copies and one unbound copy of the proposal must be received by Lisa Palomba, City Secretary, 1371 W. FM 550, McLendon-Chisholm, TX 75032, by 2:00 p.m. on August 31, 2018. Proposals submitted will be evaluated by City Administration and the City Council. The City of McLendon-Chisholm, Texas reserves the right to reject any or all proposals submitted.

During the evaluation process, the City of McLendon-Chisholm, Texas reserves 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, firms submitting proposals may be invited to interview on-site as part of the evaluation process or requested to attend a Council Meeting.

The City of McLendon-Chisholm, Texas 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 of McLendon-Chisholm, Texas and the firm selected.

It is anticipated the selection of a firm will be completed by September 17, 2018. Following the notification of the selected firm, it is expected a contract will be executed between both parties immediately following confirmation of award.

### **B. Term of Engagement**

McLendon-Chisholm limits audit firms to no more than five (5) consecutive audits. The intent of this proposal is to select a firm that will provide external audit services for a period of five (5) consecutive years, subject to annual appropriation.

### **C. Scope of Work to be Performed**

The City desires the auditor to express an opinion on the fair presentation of its financial statements in conformity with generally accepted accounting principles (GAAP) and any additional changes as promulgated by the Governmental Accounting Standards Board (GASB).

The audit firm selected will be responsible for providing printed draft reports, as well as printed final reports, along with electronic PDF versions.

From time to time, the City may request the auditor to perform other audits, reviews and other related services not specifically provided for under this section. If such a request is made, the auditor shall submit, at the City's request, a separate proposal for completing the engagement, along with a proposed fee

schedule. The City reserves the right to contract any additional audits, reviews or other related services with any firm it chooses.

#### **D. Auditing Performance Standards to be Followed**

To meet the requirements of this RFP, the audits shall be performed in accordance with:

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;
2. The standards set forth for financial audits in the U.S. General Accounting Office's (GAO) *Government Auditing Standards* (latest revision);
3. The provisions of the federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996;
4. The provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*;
5. State of Texas Single Audit Circular;
6. *Government Accounting Standards Board Statements and applicable Implementation Guides*; and
7. *Texas Government Code, Title 10, § 2256.023(d)*.

#### **E. Required 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, as part of a Comprehensive Annual Financial Report (CAFR);
2. A report on compliance and internal control over financial reporting based on an audit of the financial statements.
3. A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk;
4. A report on compliance with applicable laws and regulations;
5. An "in-relation-to" report on the schedule of federal financial assistance;
6. A Single Audit Report when required;
7. A report on the internal control structure used in administering federal financial assistance programs;
8. A report on compliance with laws and regulations related to major and nonmajor federal financial assistance programs;
9. A Management Letter with recommendations and upcoming GASB Pronouncements

The auditor shall communicate in a letter to management any reportable conditions found during the audit. 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.

Irregularities and illegal acts. Auditors shall be required to provide a written report of any irregularities and/or illegal acts or indications of illegal acts of which they become aware immediately to the City Secretary.

#### **F. Retention and Access to Working Papers**

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 McLendon-Chisholm, Texas 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:

- City Administrator, City Secretary, City Attorney
- U.S. Department of Justice;
- U.S. General Accounting Office (GAO).

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.

## **SECTION II:** **DESCRIPTION OF THE GOVERNMENT**

### **A. Key Contact**

The auditor's principal contact with the City of McLendon-Chisholm will be Lisa Palomba, City Secretary, or a designated representative, who will coordinate the assistance to be provided by the City of McLendon-Chisholm, Texas to the auditor.

### **B. Background Information**

The City of McLendon-Chisholm's fiscal year begins on October 1<sup>st</sup> and ends on September 30<sup>th</sup>.

The City currently has 3 (three) full-time employees and 1 (one) part-time employee. Most services provided by the City are through third party private contractors. The Fire Department is newly established and is in transition.

The City of McLendon-Chisholm lies largely within Rockwall County and a small portion in Kaufman County and is served by the Rockwall ISD. There are several private water corporations that serve the City.

More detailed information, including the FY17 Audit Report and the FY18 Budget may be found on the City's website at [www.McLendon-Chisholm.com](http://www.McLendon-Chisholm.com).

### **C. Availability of Prior Audit Reports and Working Papers**

The selected audit firm will be authorized to review prior audit work papers. The request will need to be made through Lisa Palomba, City Secretary, for the City of McLendon-Chisholm.

## **SECTION III:** **TIME REQUIREMENTS**

### **A. Proposal Calendar**

The following is a list of key dates:

August 10, 2018	Post RFP on City's website and Rockwall Herald Banner
August 31, 2018	Proposals Due
September 1, 2018	Staff Reviews
September 11, 2018	Council Interviews
September 17, 2018	Award Notification
September 24, 2018	Contract Finalized

### **B. Date Audit May Commence**

The City of McLendon-Chisholm expects to have all records ready for audit and all management personnel available to meet with the firm's personnel by December 15, 2018 or before.

### **C. Schedule for the FY18 Audit**

The auditor will propose a schedule that must be agreed upon by both parties for:

1. Interim Work
2. Detailed Audit Plan
3. Fieldwork
4. Draft Reports for internal review (at least 2 weeks prior to Final Report)

### **D. Progress Reporting**

The auditor shall submit progress reports to or hold periodic meetings with the City Secretary as agreed upon by the City and the auditor. The information provided in these reports should be sufficiently detailed to provide assurance that the audit is on schedule. A sample progress report should be submitted with the proposal.

### **E. Date Final Report is Due**

The final report and seven (7) copies along with a PDF should be delivered to Lisa Palomba, City Secretary, 1371 W. FM 550, McLendon-Chisholm, Texas 75032 by the first week in March.

**SECTION IV:**  
**ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT  
PREPARATION**

**A. Audit Assistance**

The staff of the City of McLendon-Chisholm consists of four people. Therefore, with limited City staff resources, it may be necessary for the auditors to perform non-audit services to ensure the audit is completed in a timely manner. The non-audit services should be coordinated with the City Secretary and all supporting documentation will be available to the City upon request.

**B. Work Area & Equipment Access**

The City of McLendon-Chisholm will provide the auditor with reasonable workspace, including access to phone, copier, and internet services.

**SECTION V:**  
**PROPOSAL REQUIREMENTS**

**A. General Requirements**

1. Inquiries

Inquiries concerning the RFP must be made to: Lisa Palomba, City Secretary, 1371 FM 550, McLendon-Chisholm, Texas 75032.

**Contact with City of McLendon-Chisholm elected officials or staff, other than Lisa Palomba, City Secretary, regarding the RFP is strictly prohibited, and may be grounds for elimination from the selection process.**

2. Submission of Proposals

The following material is required to be received by 2:00 pm on August 31, 2018 for a proposing firm to be considered:

One (1) original bound copy (so marked) and six (6) bound copies and one unbound copy, and one (1) pdf, to include the following:

- o 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.
- o Table of Contents
- o 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 five (5) years.
- o Detailed Proposal - The detailed proposal should follow the order set forth in Section V (B) and (C) below.

## **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 of McLendon-Chisholm in conformity with the requirements of this RFP.

The Technical Proposal should address all the points outlined in the RFP, and provide a straightforward, concise description of the proposer's capabilities.

### **2. Independence**

The firm should provide a statement regarding its independence from the City of McLendon-Chisholm.

The firm should also list and describe any relationships involving the City of McLendon-Chisholm 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.

The selected firm will be required to give the City of McLendon-Chisholm written notice of any relationships entered into during the period of this agreement.

### **3. Firm Qualifications and Experience**

The proposal should state the size of the firm, the size of the firm's governmental 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.

### **4. Partner, Supervisory and Staff Qualifications and Experience**

The proposal should list the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Resumes for all key personnel assigned to the engagement should be included, along with their respective Texas CPA license numbers. The firm also should indicate how the quality of staff over the term of the agreement will be assured.

The proposal should identify any consultants or specialists to be utilized. These can only be changed with the express prior written permission of the City. Other audit personnel may be changed at the discretion of the firm, provided that replacements have substantially the same or better qualifications or experience.

### **5. Similar Engagements with Other Governmental Entities**

For the firm's office that will be assigned responsibility for the audit, list the five (5) most significant engagements performed in the last five years that are similar to the engagement described in this RFP.

### **6. Specific Audit Approach**

The proposal should set forth a work plan, including a detailed explanation of the audit methodology that will be utilized.

#### 7. Identification of Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, and the firm's approach to resolving these problems.

### **C. Financial Proposal**

#### 1. Total All-Inclusive Not-to-Exceed Price

The financial proposal should contain all pricing information relative to performing the audit engagement.

The City will not be responsible for expenses incurred in responding to this RFP.

The Financial Proposal should include the following information:

- Name of Firm;
- Certified that the person signing the proposal is authorized to bind the firm, and enter into a contract if selected;
- A Total All-Inclusive Not-to-Exceed Price for the FY18 – FY22 audit years.

#### 2. Hourly Rates

The second page of the financial proposal should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix B) that supports the total all-inclusive maximum price. The cost of any consultant or special services required should be disclosed as separate components of the total all-inclusive not-to-exceed price in Appendix B.

#### 3. Rates for Additional Professional Services

If it should become necessary for the City of McLendon-Chisholm 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 the City of McLendon-Chisholm 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 financial proposal.

#### 4. References

The proposal should contain a list of at least five (5) local government references, in the format provided in Appendix C.

## **SECTION VI:** **EVALUATION PROCEDURES**

### **A. Review of Proposals**

Staff will review, request additional information from proposer as needed and forward to Council for review and final decision.

## **B. Interviews**

During the evaluation process, the City may, at its discretion, invite one or more firms for on-site interviews. The City may develop another set of criteria for final evaluation and scoring.

## **C. Right to Reject Proposals**

Submission of a proposal indicates acceptance of the conditions contained in this RFP unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of McLendon-Chisholm and the firm selected.

The City of McLendon-Chisholm, Texas reserves the right without prejudice to reject any or all proposals.

**APPENDIX A**

- 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 McLendon-Chisholm.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Firm: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX B**

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE  
FISCAL YEAR 2017-18 FINANCIAL STATEMENTS**

	<u>Hours</u>	Standard Hourly <u>Rates</u>	Quoted Hourly <u>Rates</u>	<u>Total</u>
Partners		\$ _____	\$ _____	\$ _____
Managers		\$ _____	\$ _____	\$ _____
Supervisory staff		\$ _____	\$ _____	\$ _____
Staff		\$ _____	\$ _____	\$ _____
<b>Subtotal</b>				<b>\$ _____</b>
<b>Out-of-pocket expenses:</b>				
Meals and lodging				\$ _____
Transportation				\$ _____
Other (Specify)				\$ _____
<b>Total All-Inclusive Not to Exceed Price For Fiscal year _____ Audit</b>				<b>\$ _____</b>

**APPENDIX C**

**LIST OF REFERENCES**

List at least 5 local governments as references with contact information:

<b><u>Name of Entity</u></b>	<b><u>Services Provided</u></b>	<b><u>Dates of Services</u></b>
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