



City of Rochester, New Hampshire

Finance Office

31 Wakefield Street • Rochester, NH 03867-1917

(603) 335-7609 Fax (603) 335-7589

REQUEST FOR PROPOSAL

BID 15-04

PROFESSIONAL MUNICIPAL AUDITING SERVICES

You are cordially invited to submit a Proposal for Professional Municipal Auditing Services in accordance with the attached specifications, terms and conditions. Prospective respondents are advised to read this information over carefully prior to submitting a proposal.

Proposals must be prepared in accordance with the specifications and submitted in a sealed envelope, plainly marked "Municipal Auditing Services" and addressed as follows:

Rochester City Hall
Purchasing Dept - Bid 15-04
Attn: Blaine M. Cox, Deputy City Manager
31 Wakefield Street
Rochester, NH 03867

All proposals/bids must be received by July 31, 2014 at 2:15 pm. They will be publicly opened and read aloud at the Rochester City Hall, Council Chambers at 2:30 pm. Bids may obtained from the City's website at www.rochesternh.net. It is the bidders responsibility to check the purchasing section of the City's website for any addendums or Q & A's.

***IMPORTANT:**

Vendors wishing to respond to a bid request with alternates to specifications must notify the Finance Office no less than five (5) days prior to the bid request opening date. If the proposed changes are acceptable, the City will advise other potential respondents, thereby maintaining equality in the bid process. Failure to advise the City could result either in rejection of the alternate proposal or in an untimely extension of the sealed bid process.

Vendors may be asked, as part of the bid evaluation process, to supply company financial information. This data will be held in the strictest confidence and be utilized only to help assess the stability of a responding firm. The records will be returned to you after identifying the successful respondent to the bid request.

The City of Rochester, New Hampshire ("City") is requesting proposals from qualified independent certified public accountants (Auditors"), licensed to practice in the State of New Hampshire, with expertise in governmental accounting and auditing experience, to perform an audit of the City's financial statements for the fiscal year ending June 30, 2014, and each of the two subsequent years.

The City will also consider two (2) additional one-year renewals if mutually agreed upon.

Questions should be directed to Blaine M. Cox, Deputy City Manager, at (603) 335-7609.

I. INFORMATION FURNISHED TO PROPOSER

A. Background and General Information

1. The City is a local government of the State of New Hampshire. The City serves an area of approximately 44 square miles and a population of approximately 30,000 based upon the 2010 census.
2. The City is governed by a City Council and managed by a City Manager. The City has a dependent school district which operates as a department of the City and is included in the audit engagement.
3. The City's fiscal year is from July 1 to June 30.
4. The City has a total General, Special Revenue, and Enterprise Fund budgets for the fiscal year ended June 30, 2013 of approximately \$110 million.
5. Total revenue for Governmental Funds was \$94,825,943 for fiscal year ended June 30, 2013 and total revenue for Enterprise funds was \$8,767,825 for the fiscal year ended June 30, 2013.
6. The City has the following funds and account groups:
 - a. Major Governmental Funds:
 - General Fund
 - b. Non-Major Governmental Funds (including permanent funds) :
 - Several Special Revenue Funds (including School grants);
 - Four (4) Capital Project Funds
 - c. Major Enterprise or Special Revenue Funds:
 - Water Fund
 - Sewer Fund
 - Community Center
 - d. Non-Major Enterprise Fund
 - Arena Fund
 - e. Private Purpose (Charter) Trust Funds:
 - Cemetery
 - School Scholarships
 - Library
 - Other
 - f. Agency Funds:
 - Performance Deposits
 - Department Agency Funds
 - Student Activity Funds (Schools)
 - g. Account Groups

- General Fixed Assets Account Group
 - General Long-Term Debt Account Group
7. There are no additional component organizations that are part of the reporting entity as defined by Governmental Accounting Standards Board (GASB) Statement 14.
 8. The most recent audit of the City was performed by *Vachon Clukay & Company PC* for the fiscal year ended June 30, 2013.

B. Description of Records

1. The City maintains its general records in accordance with generally accepted accounting principles.
2. The following records are maintained on the City's automated accounting information system (Munis Financial Management System Software):
 - a. General ledger
 - b. Budgetary
 - c. Accounts payable
 - d. Accounts Receivable
 - e. Utility Billing
 - f. Payroll
 - g. Tax Billing
3. The School Department records are maintained by the SAU.

C. Objective and Scope of Work to be Performed

1. The audit will encompass a financial and compliance examination of the City's basic financial statements, supplementary information and compliance reports. The financial and compliance audit will cover federal, state and local funding sources in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the following:
 - *Government Auditing Standards* issued by the U.S. Government Accountability Office;
 - Single Audit Act of 1984 and Single Audit Act Amendments of 1996, if applicable;
 - Provisions of the U.S. Office of Management and Budget OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, if applicable;
 - *Government Auditing Standards and Circular A-133 Audits* issued by the American Institute of Certified Public Accountants; and
 - All other applicable laws and regulations.
2. The Auditor will be responsible for the preparation and printing of the basic financial statements, supplementary information, and compliance reports. An electronic copy of the audit documents will also be provided in a searchable Adobe PDF file format. The Auditor will submit a draft of the financial statements to be reviewed in detail by the Finance Director and the City Manager. This draft shall be submitted to the City in time to allow ample review and corrections.
3. The audit shall result in the preparation of financial statements from the audited records of the City with the Auditor's opinion thereon. The Auditor's opinion shall be expressed in the report and include reasons for qualifying the opinion, disclaiming the opinion, or rendering an adverse opinion.

4. If required, the Auditor shall perform the audit and prepare all reports pertaining to the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996.
5. Preparation and/or assistance preparing the MS-5 and other annual reports required by the State of New Hampshire Department of Revenue Administration.
6. The auditor should also be familiar with and assist City staff to implement both current and proposed GASB Statements. In addition, the auditor is also expected to provide informal advice and consultation throughout the year on matters relating to accounting and financial reporting. This would not necessarily include any task that entails significant research or a formal report.
7. Should circumstances arise during the audit that require significant additional work to be performed in excess of the amounts set forth in the contract, additional costs shall be negotiated prior to commencement of the work and an amended contract will be submitted for approval to the City.
8. In planning and performing the audit, the Auditor shall consider the City's system of internal controls over financial reporting as a basis for designing auditing procedures and for the purpose of expressing an opinion on the financial statements. The Auditor shall create a written report titled *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Audit Standards*. This report will address any material weaknesses in internal controls found during the audit. A material weakness shall be defined as a significant deficiency in internal controls, or combination of significant deficiencies that results in more than a remote likelihood that a misstatement of the City's financial statements will not be prevented or detected by the City. Said report shall include written responses by government officials to the Auditor's comments and recommendations.
9. Non-material conditions and/or other matters that come to the attention of the Auditor related to opportunities for strengthening internal controls and operating efficiencies shall be reported in a management letter. The management letter shall include written responses by City Manager, Finance Director, or other management staff, to the Auditor's comments and recommendations.
10. The Auditor shall be required to make an immediate written report of irregularities and illegal acts, or indications of illegal acts of which they become aware, to the Finance Director, City Manager, or Governing Body.
11. As guided by AICPA Auditing Standards Board Statement on Auditing Standard No. 74, the Auditor should exercise due professional care in understanding the type of engagement and also requiring that if during the audit the Auditor becomes aware that the City is subject to audit requirements which may not be encompassed in the terms of the engagement he or she should communicate to management or others with equivalent authority and responsibility that the audit may not satisfy the requirements.
12. The firm shall agree to make available its working papers upon request, to meet any City financial need as well as in accordance with any federal or state grant provision. Working papers will be kept for three years from submission of the final audit report.

13. The firm shall submit a draft of the financials by the third week of December each year for use by City staff in order to complete the continuing disclosure reporting which is a requirement of the bond community (filing due by December 31st each year).
14. Conduct of and delivery of the Final Audit documents shall comply with the City's Charter, Section 46 which reads in part: "An independent audit shall be made of all accounts of the City at least once every year, by certified public accountants, experienced in municipal accounting and selected by the City Council. Said audit shall be reported to the City Council. A summary of such audit shall be made public." Conduct and delivery of the Final Audit documents shall also comply with the City's General Ordinances, Section 11.13, which reads in part: "The City Manager shall annually, *before the last day of January*, present the independent auditors' report, in accordance with section 11.15 of this ordinance, of the preceding year."

D. Report Requirements

Following the completion of the audit of the fiscal year's financial statements, the Auditor shall issue the following:

1. A report on the fair presentation of the basic financial statements in conformity with generally accepted accounting principles for the City. The financial audit opinion will cover the basic financial statements.
2. A report on internal control and compliance with laws, regulations, and provisions of contracts and grant agreements based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
3. A report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 and the Single Audit Act, if applicable.
4. A schedule of findings and questioned costs in accordance with the Single Audit Act, if applicable.
5. Management letter.

E. Assistance to be Provided to the Auditor

1. The City will designate the Deputy Finance Director as the audit engagement coordinator to work directly with the Auditor. The engagement coordinator will have responsibilities for the following:
 - a. Primary contact for questions, securing information, and other pending issues between the Auditor and the City on items related to the financial statements.
 - b. Receiving initial draft copies and re-drafted copies of the financial statements, management letter and internal control letter from the Auditor and circulating drafts to the City Manager and appropriate personnel.
 - c. Coordinating meetings with Auditor and the City Manager and City Council.
 - d. Monitoring and reviewing the progress reports from the Auditor.

- e. Helping to resolve issues with the Auditor not related directly to financial statements.
 - f. Oversight of "Representation Letter" by management to Auditor.
2. The City will render all feasible assistance to the Auditor and shall respond to requests within reason for information; provide all necessary books and records; provide account analysis worksheets, computer reports on all activity on requested accounts, and provide physical facilities required by the auditors for the expeditious conduct of this engagement.
 3. The staff of the City will be available to assist by providing information, documentation, and explanation as required.
 4. A trial balance with budgeted amounts can be made available to the Auditor via electronic file, hard copy, or e-mail. Assistance in converting these statements to government wide statements using the GASB 34 model is anticipated from the Auditor.

F. Timing Requirements

1. The Auditor will attend a preplanning conference with the Deputy Finance Director and other appropriate personnel prior to the interim field work; periodic conferences during the audit; as well as an exit conference prior to the completion of field work.
2. The Finance Director will receive a listing of requested information needed for the audit at the preplanning conference.
3. The City prefers interim field work to be performed and completed in the 4th quarter of the fiscal year being audited.
4. The audit must be completed and reports rendered within six months following the fiscal year end of the City.
5. A preliminary draft of the audit and required journal entries must be submitted to the Deputy Finance Director within five months of year end for review and to include draft numbers in the annual continuing disclosure which is due on December 31st each year.
6. The Auditor shall provide 20 bound copies of each audit report, management letter, and other applicable reports within the time frame cited above. In addition, the Auditor shall provide one copy of the original audit reports, management letter and other applicable reports in electronic searchable file format (Adobe PDF).
7. The Auditor shall attend one meeting with the City Council, at which the audit report and management letter will be presented by the Auditor.
8. Progress reports are to be submitted with billings. These reports are to measure results against the Auditor's work plan. The Auditor shall promptly report to the Finance Director and City Manager any conditions which impede the proper conduct or planned timetable of the audit.

II. PROPOSAL PREPARATION AND SUBMISSION REQUIREMENTS

A. General Requirements

1. Sealed proposals will be received until 2:15 p.m. est on July 31, 2014.
2. All inquiries for information should be directed to:
Blaine M. Cox, Deputy City Manager, at (603) 335-7609.
3. The proposal should be mailed or delivered directly to:
City of Rochester
Attn: Blaine M. Cox
31 Wakefield Street
Rochester, NH 03867
4. Proposals should be submitted in two separate, sealed envelopes. One envelope should include *Technical Proposal* material and the other envelope should include *Cost Proposal* material. The *Technical Proposal* will be comprised of the Auditor's experience and qualifications of its personnel in performing governmental audits. There should be no dollar units or total costs included in the *Technical Proposal*. The *Cost Proposal* will consist of the Auditor's cost proposal.
5. Four (4) copies of each of the Technical and Cost proposals should be submitted and clearly marked as to the contents and firm submitting them.
6. The City requests that no City officials be contacted during the process. The Finance Director may be contacted only to clarify questions concerning the RFP.
7. The City reserves the right to reject any or all proposals if there is good cause; to cancel the solicitation, waive technicalities; request clarification or additional information and be the sole judge of suitability of the services for its intended use and further specifically reserves the right to make the award and negotiate the final contract in the best interest of the City considering cost effectiveness. Failure to respond to any requirements outlined in the RFP, or failure to enclose copies of the required documents, may disqualify the bid. The City reserves the right to retain all submitted proposals.
8. In order to standardize the review process, the Auditor's Technical and Cost proposals must be presented in the following format and include the designated information. Auditors are cautioned that any deviation from this format may result in the disqualification of their submission.

B. Technical Proposal

1. Title Page
 - a. Project title
 - b. Name of submitter firm
 - c. Address and telephone number of submitter firm
 - d. Name of contact person
 - e. Date of submission
2. A Letter of Transmittal (limit to one or two pages)
 - a. Briefly state the submitter's understanding of the work to be done and make a positive commitment to perform the work within the required time frame.

- b. This letter should be signed by the individual authorized to negotiate for and contractually bind the firm.

3. Table of Contents

- a. Include a clear identification of the material by section and by page number. Such sections will be those identified below.

4. Professional Experience and Qualifications

- a. Indicate the location of the office and the number of people, by level that will handle the audit.
- b. Indicate whether or not the firm is licensed to practice in the State of New Hampshire.
- c. Provide a list of the office's most significant engagements (maximum of 5) performed in the last two years that are similar to the engagement described in the RFP. Indicate the type(s) of services performed and the number of years served for each. For each engagement listed, provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contacted by the City for reference.
- d. Indicate the experience of the local office in providing additional services to the government clients by listing the name of each government, the type(s) of services performed, and the number of years of engagement.
- e. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs (peer review). Provide a copy of the firm's current peer review including management letter and responses, if any. Indicate whether review included government engagements.
- f. Identify and describe the professional experience in governmental audits of each senior and higher-level person that would be assigned to the audit, including years on each job and his/her position while on each audit. Indicate the percentages of time each senior and higher-level person will be on site during the City's audit.
- g. Describe the firm's policy on notification of changes in key personnel on audit engagements. The City's philosophy is as follows: Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm. Those personnel may also be changed for other reasons. However, in either case, the City retains the right to approve or reject replacements.
- h. Identify proposed sub-contractors, if any, and the portion(s) of the engagement for which they will be used.
- i. Provide a resume for each individual who may be assigned to the audit which describes his/her professional qualifications, licenses, (e.g. CPA) and experience in auditing relevant government organizations, programs, activities, or functions. Additional information should include any specialized skills, training, or background in public finance. This may include participation in State or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles or books.

- j. Describe how the firm meets professional independence standards.

5. Approach to the Audit

Describe the firm's specific audit approach in the form of a work plan. The work plan should include an explanation of the audit methods to be used.

- a. Provide an understanding of the services to be performed and the work products to be provided as defined in this RFP.
- b. Provide a work plan to accomplish the scope of services, within the required time frame. The work plan should include time estimates by staff level for each of the significant segments of the work and the staff assigned to each segment. Include a brief discussion of the audit procedures to be used in the audit process for each segment.
- c. Proposed segmentation of the engagement
- d. Sample size and extent to which statistical sampling will be used
- e. Extent of use of Electronic Data Processing (EDP) software in the engagement
- f. Type and extent of analytical procedures to be used in the engagement
- g. Approach to be taken to gain and document an understanding of the City's internal control structure
- h. Approach to be taken in determining laws and regulations that will be subject to audit test work
- i. Approach to be taken in drawing audit samples for purposes of tests of compliance.

6. Other Information

- a. Describe liability insurance coverage arrangements to assure that it is sufficient to cover claims.
- b. Describe any regulatory action taken by any oversight body against the proposing audit firm or local office, if any, in the last 5 years.
- c. Identify any potential audit difficulties, along with the firm's proposed resolution and any additional assistance expected from City staff.
- d. Provide any other information you believe relevant to the decision of selection of the best auditing firm for the City.

C. Cost Proposal

The Cost Proposal should address the requested information below.

- 1. Describe the organization of the audit team and the approximate percentage of time spent on the audit by each member.
- 2. Comment specifically on the timeline and how the City can assist in expediting the audit. Describe assistance expected from the City staff, if other than outlined in RFP.
- 3. Identify a tentative schedule for completing the audit within the specified deadlines.

4. Using a format similar to the one shown below, separately specify costs for audit services for the three (3) consecutive years beginning with the fiscal year ending June 30, 2014 and ending with the fiscal year June 30, 2016.
5. Include a signed "Bid Certificate", included in this RFP package.
6. Identify and describe any other important cost-based information.

SUMMARY OF ALL INCLUSIVE AUDIT COSTS

		2014	2015	2016	2017	2018
Financial Statement Audit (including Management Letter)	\$					
Financial Statement Preparation	\$					
Single Audit	\$					
Extra Audit Services \$_____ per hour	\$					
Other (explain)	\$					
TOTAL	\$					

Selection Process

The evaluation process will include each technical proposal being reviewed by the Deputy City Manager and the Deputy Director of Finance. Based on this review, approximately 2-3 finalists will be selected to interview with the Deputy City Manager, Deputy Director of Finance, and any other City representatives deemed necessary. After conducting the interviews, the City staff will review the cost proposals submitted by the finalists. The final recommendation will be submitted to the full City Council for approval.

Proposals will be evaluated against specifications as presented in this document. No award will be made to any firm who cannot satisfy the City that they have sufficient ability and experience in this class of work and sufficient trained personnel to enable them to prosecute and complete delivery of the services successfully within the time named. The City's decision or judgment on these matters shall be final, conclusive and binding. Conditional proposals will not be accepted.

BID CERTIFICATE

The undersigned represents that they are authorized to bind the bidder to the bid amount specified and hereby offers to provided to the City of Rochester the commodities and services as contained in the attached competitive sealed bid specifications at the price stated in complete accordance with all conditions of the bid specifications. Furthermore,

The undersigned certifies that this bid is in all respects bona fide, fair, and made without collusion or fraud with any other person. As used in this section the word "person" means any natural person, joint venture, partnership, corporation or other business or legal entity

Signature/Title

Company

Date

Phone Number

Check here if appropriate : _____(X) NO BID

Any deviations from the above stated specifications must be so noted and any bid prices must be reflective o/these deviations

GENERAL TERMS AND CONDITIONS

Preparation of Bids/Proposals

Bids shall be submitted on the forms provided and must be signed by the bidder or the bidder's authorized representative. The person signing the bid shall initial any corrections to entries made on the proposal form.

Unless otherwise stated in the Request for Bid/Proposal, the bidder agrees that the bid shall be open for acceptance for thirty (30) calendar days from the date of submittal to the City of Rochester.

Acceptance or Rejection of Bids/Proposals

The City of Rochester reserves the right to reject any or all bids, to waive technical or legal deficiencies, and to accept any bid that is determined to be in the best interest of the City.

The City of Rochester also reserves the right to reject the bid of a bidder that has failed to perform properly or complete on time contracts of a similar nature.

Delivery of Bids/Proposals

Bids must be submitted in a sealed envelope, and shall be addressed to the City at the address and to the attention of the official as outlined in the bid documents. All bids must be submitted prior to the specified date and time. Any bids received after the specified date and time will not be considered and will not be opened. Bids delivered via facsimile, e-mail, or any format other than within a sealed envelope shall not be considered.

Withdrawal of Bids/Proposals

A bidder will be permitted to withdraw their bid unopened after it has been deposited if such request is received in writing prior to the time specified for opening the bid.

Public Opening of Bid/Proposals

Bids will be publicly opened and read aloud at the time and place as indicated in the bid documents. Any bidder, authorized agent, or other interested party may be present.

Bid/Proposal Ownership and Costs

Upon submission, bids become the property of the City of Rochester. The cost of preparing and submitting a bid is the sole responsibility of the bidder and shall not be chargeable in any manner to the City. The City will not reimburse any bidder for any costs associated with the preparation and submission of a bid.

Examination of Proposed Materials

The submission of a bid shall be deemed a representation and warranty by the bidder that it has investigated all aspects of the RFP, that it is aware of the applicable facts pertaining to the RFP process and its procedures and requirements, and that it has read and understands the RFP. No requests for modification in the provisions of the bid shall be considered after its submission on the grounds that the bidder was not fully informed as to any fact or condition. Statistical information, which is contained within a RFP or any addendum thereto, is for informational purposes only. The City disclaims any responsibility for this information that may subsequently be determined to be incomplete or inaccurate

Insurance Requirements

The successful bidder shall procure and maintain insurance, in the amounts and coverage detailed by the proposal documents at the bidder's sole expense. The successful bidder shall be required to present to the City of Rochester a certificate of insurance in the amounts required naming the City of Rochester as an additional insured.

Bid Results

After the bids are opened and read, the bid results will be available for the public. Bidders that desire a comprehensive list of the bid results may do so by attending the bid opening, or requesting such, in writing, to the Director of Finance and Administration.

The award of a bid shall not be considered official until such time that a Purchase Order, fully executed contract, or an award letter has been issued by the City of Rochester. No presumption of award shall be made by any bidder until such documents have been executed and are in hand. Verbal notification of award is not considered official. Any action by the bidder to assume otherwise is done so at their own risk and the City will not be held liable for any expense incurred by a bidder that has not received an official award.