

CITY OF SEDONA



REQUEST FOR PROPOSAL FOR AUDIT SERVICES

Proposals Shall be Submitted to:

City of Sedona

City Clerk's Office (for time and date stamping)

ATTN: Barbara Ashley, Financial Services Director

102 Roadrunner Drive

Sedona, AZ 86336

**Proposals Due:
Monday, April 4, 2011 by 4:00pm**

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City of Sedona
Request For Proposal
For
Audit Services

I. INTRODUCTION

The City of Sedona (the “City”) is seeking proposals from qualified firms to provide audit services. A description of the required services is included in Section III.

BACKGROUND

The City of Sedona was established in 1902 and is one of Arizona’s premier tourism, recreation, resort, retirement and art centers, all of which contribute to its economic base.

The community was incorporated as a City under Arizona Revised Statutes (ARS) in 1988. It encompasses an area of 18.5 square miles, approximately half of which is under jurisdiction of the U.S. Forest Service. The population is 10,192 as of the 2000 Census.

The City provides a full range of municipal services, including police protection, sewer services, construction and maintenance of streets, recreational and cultural events, planning and zoning services and general administrative services. The City offers community facilities including a swimming pool, a community park and a neighborhood park.

Water service is private, library is non-profit with some contract funding from the City, fire is a special district, and refuse collection is a private contract.

Of added municipal interest, the City is a part of two counties and is traversed by two state arteries. There is no property tax levied by the City. Currently, the City operates from State Shared Revenue and other local sources of revenue including sales tax.

The total net assets of the City are \$102,070,133 at June 30, 2009 in governmental and business-type activities. Net assets of the City’s governmental activities are approximately \$43,415,966. Net assets of the City’s business-type activities are approximately \$58,654,167.

ACCOUNTING BASIS

The City’s two types of funds, governmental and proprietary, use different accounting approaches.

Governmental funds – Most of the City’s basic services are reported in governmental funds; the focus of which is the inflows and outflows of the fund and the balances remaining at year-end available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported on the accrual bases of accounting.

II. PROPOSAL PROCEDURES

A. SCHEDULE OF PROPOSAL

Issue RFP:	February 21, 2011
Written Questions Due:	March 7, 2011
Responses to Questions:	March 14, 2011
Proposals Due:	April 4, 2011
Preliminary Evaluation:	April 11, 2011
Oral Presentations (as needed):	April 2011

It is the intent of the City to finalize negotiations by April 2011 and implementation to begin May 2011.

B. PREPARATION OF PROPOSAL

Each proposal should be prepared simply and economically avoiding the use of elaborate promotional materials beyond what is sufficient to provide a complete, accurate, and reliable presentation. For ease of review, the proposals should follow the outline in Section III of this Request for Proposal (RFP). Each response should be clearly numbered and the full question listed.

C. NUMBER OF PROPOSAL COPIES

Two (2) copies of the proposal should be submitted. One copy should be electronic and submitted via CD and the other shall be hard copy, not stapled.

D. SUBMISSION OF PROPOSALS

The City will accept proposals until 4:00pm on April 4, 2011. Proposals shall be submitted by mail or hand delivered to:

City of Sedona
City Clerk's office (for time and date stamping)
Attention: Barbara Ashley, Financial Services Director
102 Roadrunner Drive
Sedona, AZ 86336

It is the responsibility of all Respondents to examine this RFP carefully, understand the terms and conditions for providing the services listed and seek clarification in writing, of any item or requirement that may not be clear and respond completely. **FAILURE TO COMPLETE AND PROVIDE ANY OF THESE PROPOSAL REQUIREMENTS MAY RESULT IN THE RESPONDENT'S PROPOSAL BEING DEEMED NON-RESPONSIVE AND THEREFORE DISQUALIFIED FROM CONSIDERATION.** The City is under no obligation to return proposals. Any unauthorized contact with any other official or employee in connection with this RFP is prohibited and shall be cause for disqualification of the proposer.

E. INQUIRIES

All questions related to this RFP shall be directed to Barbara Ashley, Financial Services Director. All questions must be submitted in writing via email to BAshley@SedonaAZ.gov or facsimile transmission, (928) 282-7207. The City shall not be responsible for Respondents adjusting their proposal based on any oral instructions made by employees of the City regarding the RFP. All changes to the RFP shall be in the form of a written addendum, which shall be furnished to all Respondents who are listed with the City as having received the original RFP. The City will not respond to any requests for information pertaining to RFP specifications received less than five working days (Monday-Friday) prior to the Proposal Due date.

F. TIME AND LOCATION OF PROPOSER'S PRESENTATION

Selected proposers may be requested to provide in-person presentations. Those proposers will be notified to arrange specific times.

G. EFFECTIVE PERIOD OF PROPOSALS

All proposals must state the period for which the proposal shall remain in effect (i.e. how much time does the City have to accept or reject the proposal under the terms proposed). Such period shall not be less than one hundred eighty (180) days from the proposal date.

H. BID RESERVATIONS

The City reserves the right to:

- Reject any or all quotations or proposals received in response to this RFP;
- Request clarification from any proposer on any or all aspects of its quotation or proposal;
- Waive informalities contained in proposals, which are not consistent with law;
- Waive any minor defects in the proposal;
- Cancel and/or reissue this RFP at any time;
- Retain all quotations or proposals submitted in response to this RFP; and
- Invite some, all, or none of the proposers for interviews and further discussion.

I. CONTRACT NEGOTIATIONS

After a review of the proposals, and in-person presentations, the City intends to enter into contract negotiations with the selected audit firm reasonably susceptible of award. These negotiations could include all aspects of services and fees.

J. AWARD OF CONTRACT

The City reserves the right to award by items, groups of items, or as a whole, whichever is deemed most advantageous to the City.

The selected firm shall be required to enter into a written contract with the City for audit services in a form approved by legal counsel for the City. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. The City reserves the right to negotiate the terms and conditions of the contract with the selected proposer.

K. CONTRACT TERM

It is the intent of the City to award the contract for an initial three (3) year period with the option to renew it for two (2) additional one (1) year periods at the sole discretion of the City.

Proposers are asked to agree to fix contract fees for at least the first three (3) years.

L. CANCELLATION

If the services to be performed hereunder by the proposer are not performed in an acceptable manner to the City, the City may cancel this contract by providing written notice to the proposer, giving at least thirty (30) days notice of the proposed cancellation and the reasons for same. During that time period, the proposer may seek to bring the performance of services hereunder to a level that is acceptable to the City, and the City may rescind the cancellation if such action is in City's best interest. Notwithstanding the above provisions, the City may, upon the expiration of thirty (30) days written notice to the Contractor, terminate the agreement at will. Payment for services or goods received prior to termination shall be made by the City provided those goods or services were provided in a manner acceptable to the City. Payment for those goods and services shall not be unreasonably withheld.

M. USE OF SUB-CONTRACTORS

The intent to use sub-contractors to perform any portion of the work described in this request for proposal must be clearly stated in your response. Your response must include a description of what portion(s) of the work will be sub-contracted out, and the names and addresses of potential subcontractors.

N. INSURANCE REQUIREMENTS

Any contract awarded will contain language similar to the following:

- A. The CONSULTANT agrees to procure and maintain in force during the term of this contract, at its own cost, the following coverages:
 - 1. Worker's Compensation Insurance as required by the Labor Code of the State of Arizona and Employers' Liability Insurance.
 - 2. Commercial General or Business Liability Insurance with minimum combined single limits of ONE MILLION DOLLARS (\$1,000,000.00) each occurrence and TWO MILLION DOLLARS (\$2,000,000.00) general aggregate.
 - 3. Automobile Liability Insurance with minimum combined single limits for bodily injury and property damage of not less than ONE MILLION DOLLARS (\$1,000,000.00) for any one occurrence, with respect to each of the CONSULTANT'S owned, hired or non-owned automobiles assigned to or used in performance of the services. In the event that the CONSULTANT'S insurance does not cover non-owned automobiles, the requirements of this paragraph shall be met by each employee of the CONSULTANT who uses an automobile in providing services to Sedona under this contract.
 - 4. Professional Liability coverage with minimum limits of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) each claim and ONE MILLION

DOLLARS (\$1,000,000.00) general aggregate. If approved by CITY, evidence of qualified self-insured status may be substituted for one or more of the foregoing insurance coverages.

- B. CONSULTANT shall procure and maintain the minimum insurance coverages listed herein. Such coverages shall be procured and maintained with forms and insurers acceptable to CITY, acceptable of which shall not be unreasonably withheld. All coverages shall be continuously maintained to cover all liability, claims, demands and other obligations assumed by the CONSULTANT pursuant this contract. In the case of any claims made policy, the necessary retroactive dates and extended reporting periods shall be procured to maintain such continuous coverage.
- C. A Certificate of Insurance shall be completed by the CONSULTANT'S insurance agent(s) as evidence that policies providing the required coverages, conditions and minimum limits are in full force and effect, and shall be subject to review and approval by CITY. The Certificate shall identify this contract and shall provide that the coverages afforded under the policies shall not be canceled, terminated or limits reduced until at least 30 days prior written notice has been given to CITY. The completed Certificate of Insurance shall be sent to:

City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336
ATTN: City Clerk

- D. Failure on the part of the CONSULTANT to procure or maintain policies providing the required coverages, conditions and minimum limits shall constitute a Material Breach of Contract upon which CITY may immediately terminate this contract or, at its discretion, CITY may procure or renew any such policy or any extended reporting period thereto and may pay any and all premiums in connection therewith, and all monies so paid by CITY shall be repaid by the CONSULTANT to CITY upon demand, or CITY may offset the cost of the premiums against any monies due to CONSULTANT from CITY.
- E. CITY reserves the right to request and receive a certified copy of any policy and any pertinent endorsement thereto. CONSULTANT agrees to execute any and all documents necessary to allow Sedona access to any and all insurance policies and endorsements pertaining to this particular job.

O. ASSIGNMENT OF CONTRACT

The proposer shall not assign or subcontract any portion of the Contract without the express written consent of the City. Any purported assignment or subcontract in violation hereof shall be void. It is expressly acknowledged that the City shall never be required or obligated to consent to any request for assignment or subcontract; and

further that such refusal to consent can be for any or no reason, fully within the sole discretion of the City.

P. ABILITY TO MEET OBLIGATIONS

By submitting a proposal, the proposer affirms that there are no actions, suits or proceedings of any kind pending against proposer or, to the knowledge of the proposer, threatened against proposer before or by any court, governmental body or agency or other tribunal or authority which would, if adversely determined, have a materially adverse effect on the authority or ability of proposer to perform its obligations under this Contract, or which question the legality, validity or enforceability hereof or thereof.

Q. UNDUE INFLUENCE

By submitting a proposal, the proposer declares and warrants that no undue influence or pressure is or has been used against or in concert with any officer or employee of the City in connection with award or terms of the Contract that will be executed as a result of this RFP, including any method of coercion, confidential financial arrangement, or financial inducement. No officer or employee of the City will receive compensation, directly or indirectly, from the proposer, or from any officer, employee or agent of the proposer, in connection with award of the contract or any work to be conducted as a result of this RFP. Violation of this section shall be a material breach of the Contract entitling the City to any and all remedies by law or in equity.

R. NON-DISCRIMINATION

The City maintains various policies related to contractual service providers. Among these is an anti-discrimination policy, which requires that our contractors not discriminate in hiring on the basis of gender, race, religion, sexual orientation, or medical condition. Upon acceptance of a proposal, the City may request the selected proposer sign a statement affirming their compliance with this policy.

S. COMPLIANCE

By submitting a proposal, the proposer warrants that both in submission of its proposal and performance of any resultant purchase order or contract, proposer will comply with all applicable Federal, State, local, and City laws, regulations, rules, or ordinances.

T. INCURRED EXPENSES

The proposer, by submitting a proposal, agree that any cost incurred by responding to this RFP, or in support of activities associated with this RFP, shall be born by the

proposer and may not be billed to the City. The City will incur no obligation of liability whatsoever to anyone resulting from issuance of, or activities pertaining to this RFP.

III. INFORMATION REQUESTED

A. QUALIFICATIONS AND EXPERIENCE

All proposers must provide this information.

1. Provide a general overview and brief history of your organization.
2. Provide the address of the office location(s) that will service the City's account.
3. Describe the experience of the firm in providing audit services for governmental entities.

B. PERSONNEL

All proposers must provide this information.

1. Provide the name, title, address, phone number, fax number and email address of the primary contact person(s) assigned to this account.
2. For each key person, show the number of years of experience in this field and the number of years with your firm.

C. SCOPE OF SERVICES

The City of Sedona desires a Comprehensive Annual Financial Report (CAFR) and its component unit financial statements to be prepared by the independent auditor and be fully compliant for GASB 34 and GASB 45 for the fiscal year ended June 30, 2011 and two (2) subsequent fiscal years thereafter, with an option to extend the contract in one (1) year periods, not to exceed a total of two (2) additional fiscal years. The City will be planning to submit the CAFR to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting program.

The selected independent auditor will be required to perform the following tasks:

1. The audit firm will perform an audit of all funds of The City of Sedona. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller of the United States. The City's Comprehensive Annual Financial Report (CAFR) will be prepared and word processed by the audit firm. The CAFR will be in full compliance with GASB 34. The audit firm will render their auditors'

report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the City.

2. The audit firm may perform a single audit on the expenditures of federal grants in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the City's financial statements in accordance with Government Auditing Standards and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133. The single audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior audit findings where required. If the City does not meet the minimum requirements to necessitate a single audit, the fees shall be adjusted accordingly.
3. The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the City Manager.
4. Periodically, the City receives Federal or State grant funding. Whenever such funds are received (or expended by the City) an audit is required. If funding is received during the contract period, an audit of the activity will be required including an opinion of fair presentation in accordance with GAAP and compliance with applicable program guidelines.
5. The City of Sedona Municipal Court is required to undergo an external review by auditors every third (3rd) fiscal year. The last external review was completed fiscal year ended 2010. The next review is due fiscal year ended 2013. The auditors will apply the agreed-upon procedures, which the Arizona Supreme Court has specified, enumerated in the Guide for External Reviews by Auditors issued by the Arizona Supreme Court prepared in accordance with the American Institute of Certified Public Accountants, Codification of Professional Standards, AT Section 201, Statement on Standards for Attestation Engagements (SSAEs), Agreed-Upon Procedures Engagements. The engagement is solely to comply with the Arizona Supreme Court's Minimum Accounting Standards enumerated in the Guide for external Reviews by Auditors.

Auditing Standards to be followed

To meet the requirements of this Request for Proposals, the audit 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 General Accounting Office's (GAO) Government Auditing Standards;
- 3 The provisions of the Single Audit Act as amended in 1996; and
- 4 The provisions of U. S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations

Working Paper Retention

All working papers and reports must be retained at the auditor's expense for a minimum of seven (7) years, unless the firm is notified in writing by The City of Sedona of the need to extend the retention period. The auditor will be required to make working papers available to The City of Sedona or any government agencies included in the audit of federal grants. 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

Reports to be Issued

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

1. Independent Auditor's Reports for the City - reports of the fair presentation of the financial statements in conformity with generally accepted accounting principles, including GASB 34, based upon audits of the Basic Financial Statements of the City. The other supplementary information listed in the Table of Contents in the City's CAFR, including combining schedules and additional budgetary comparison schedules, are not a required part of the basic financial statements. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules. The information presented shall be based on the auditing procedures applied during the audits of these basic financial statements.
2. Management and SAS 114 Letters, which includes findings, statements, observations, opinions, comments, or recommendations, related to:
 - a. Systems of internal control based upon the auditors' understanding of the control structure and assessment of control risk
 - b. Compliance with applicable laws and regulations

- c. Accounting systems, functions, procedures and processes, especially with regard to cost effectiveness
3. Single Audit Report of Federal Financial Assistance.
4. City Report to the Auditor General.

Number of Copies of Report to Be Produced

- 1 CAFR – 10 bound copies, 1 unbound copy and 1 PDF file
- 2 Management and SAS 114 letter – 10 copies and 1 PDF file
- 3 Single Audit, if applicable – 10 reports, 1 unbound copy and 1 PDF file
- 4 City’s Report to the Auditor General, 1 unbound copy and 1 PDF file

Internal Control and Compliance Reports

In the required reports on internal controls, the auditor shall communicate 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. Reportable conditions that are also material weaknesses shall be identified as such in the report. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report 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:

- City Manager
- Financial Services Director
- City Attorney

Auditors shall assure themselves that the City is informed of each of the following:

1. The auditor’s responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management

7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

Other

1. Describe the firm's methodology and timing for: conducting interim field work, final field work, draft financial statements, communicating with elected officials, production of financial statements. The City desires to have draft reports completed by mid-November and the Comprehensive Annual Financial Report published by mid-December. Please provide a proposed work schedule/calendar to achieve that result.
2. Describe the firm's experience providing focused special purpose audits such as "Reviewing clients' internal controls for cash management".
3. Describe the firm's experience providing detailed audit plans for clients.

D. CONTROL

All proposers must provide this information.

1. Describe the types of insurance and bonding carried.

E. PRICING AND ACCOUNT ANALYSIS

All proposers must provide this information.

1. Provide a complete fee schedule for all of the services described in your proposal using the format shown on Appendix A.
2. Is your firm willing to guarantee the proposed fees for the entire term of the contract (up to three (3) years)? If not, for how long are the fees guaranteed?

F. REFERENCES

All proposers must provide this information.

Provide names, addresses and phone numbers of at least five references (local governments and public agency references), which are currently using the services for which you are proposing. Select a mix of long-standing and recent customers.

G. SAMPLE CONTRACT

All proposers must provide this information.

Provide a sample of a proposed contract for your firm's services. At the sole option of City, the City's standard professional services agreement may be used.

IV. EVALUATION AND AWARD CRITERIA

This RFP seeks firms to provide audit services to the City. Selection will be made from a short list of proposers deemed to be fully qualified and best suited among those submitting proposals on the basis of the evaluation factors listed below (not in priority order):

- Understanding of the needs and operation requirements of the City.
- The experience, resources, and qualifications of the firm and individuals assigned to this account.
- Relevant experience managing similar account relationships with public institutions and agency clients.
- Scope of services offered.
- Compliance with the requirements of this RFP and quality of proposals. This includes completeness of response to the RFP.
- Proposed fees and compensation. (Although fees and compensation will be an important factor in the evaluation of proposals, the City is not required to choose the lowest bidder.)

APPENDIX A

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

FOR THE AUDIT OF THE JUNE 30, 2011-2013 FINANCIAL STATEMENTS

BASIC REPORTS TO BE ISSUED IF APPLICABLE

DESCRIPTION	YEAR ENDED JUNE 30TH		
	2011	2012	2013
City Audit, including CAFR, Letter of Internal Controls, and Gann Limit			
Single Audit Act Report			
Annual Report of City Financial Transaction to Auditor General			
TOTAL			

In addition, please include below an hourly fee quotation and hours proposed for all positions to be assigned to audit:

POSITION	HOURS	HOURLY RATE
Partners		
Managers		
Supervisory Staff		
Professional Staff		
Clerical/Support Staff		
Travel Costs		
Other (Specify)		