



CITY OF AVALON

DATE: May 12, 2020
TO: Audit Firms Interested in Responding to a Request for Proposals
FROM: Matthew Baker, Finance Director
SUBJECT: Notification of Interest

The City of Avalon is soliciting proposals from qualified firms of certified public accountants to audit the City of Avalon's financial statements for the fiscal year ending June 30, 2020, with the option of auditing the City of Avalon's financial statements for two subsequent years. Enclosed for your consideration is a Request for Proposal (RFP).

To be considered for this engagement, your firm must meet the qualifications and satisfy the requirements set forth in the RFP. Completed proposals must be received by 4:00 pm on May 29, 2020, and must be submitted to:

Matthew Baker, Finance Director
City of Avalon
P.O. Box 707
Avalon, CA 90704
mbaker@cityofavalon.com

All questions and correspondence should be directed to me at the above address or by e-mail at mbaker@cityofavalon.com. All questions submitted by 4:00 pm on May 22, 2020, will be answered in writing, and copies will be sent or e-mailed to all firms responding with a Notification of Interest.

REQUEST FOR PROPOSALS

**The Finance Department is requesting
Proposals for:**

Professional Audit Services

RELEASE DATE: May 12, 2020

INQUIRY DEADLINE: 4PM, May 22, 2020

RESPONSE DUE: 4PM, May 29, 2020

CITY OF AVALON

REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

The City of Avalon is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2020, with the option of auditing its financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the US General Accounting Office's (GAO) Government Auditing Standards (1994), the provision of the Single Audit Act amendments of 1996, and the US Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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

Any inquiries concerning the request for proposals should be addressed to Matthew Baker, Finance Director.

To be considered, an original and two copies of a proposal must be received by Matthew Baker by 4:00 pm on May 29, 2020. In lieu of physical copies, electronic copies will be accepted to mbaker@cityofavalon.com; however, the file must be in PDF format and errors in electronic transmission will not be accepted as a reason for late submission. The City of Avalon reserves the right to reject any or all proposals submitted. Proposals submitted will be evaluated by a three-member Committee consisting of Matthew Baker, Finance Director, Michael Parmer, Assistant City Manager and Denise Radde, City Manager.

During the evaluation process, the Committee and the City of Avalon reserve the right, where it may serve the City of Avalon's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. Three firms selected as finalists may be requested to make oral presentations as part of the evaluation process.

The City of Avalon 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 Avalon and the firm selected.

It is anticipated the selection of the firm will be completed and approved by City Council on June 16, 2020.

B. Term of Engagement

A three-year contract is contemplated, subject to the annual review and recommendation of the Committee, the satisfactory negotiation of terms (including a price acceptable to both the City of Avalon and the selected firm), the concurrence of the City Council, and the annual availability of an appropriation.

II. NATURE OF SERVICES REQUIRED

A. General

The City of Avalon is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2020, with the option to audit the City of Avalon's financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work to be Performed

The City of Avalon desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles.

The auditor is not required to audit the combining and individual fund and account group financial assistance contained in the comprehensive annual financial report. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements. The auditor is not required to audit the statistical section of the report.

C. Auditing Standards to be Followed

To meet requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set

forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the US General Accounting Office's Government Auditing Standards (1994), the provisions of the Single Audit Act amendments of 1996, and US Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

D. 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.
2. A report on compliance and on internal control over financial reporting based on an audit of 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 with OMB Circular A-133, if required.
4. The schedule of expenditures of federal awards, if applicable.
5. The schedule of findings and questioned costs, if required.
6. The status of prior year's findings and questioned costs, if required.
7. A report on compliance with California Constitution Article XIII B – Appropriation Limit.
8. In the required report(s) 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(s) on internal controls.

The report on compliance shall include all material instances of non-compliance. All non-material instances of non-compliance shall be reported in a separate management letter, which shall be referred to in the report on compliance.

Irregularities and illegal acts. 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 unless either is complicit in the irregularity or illegal act, in which case the information shall be provided to the appropriate authority:

1. City Manager
2. City Attorney

E. Additional Reports to be Prepared

The City also requests the following services to be included in the quote:

1. Preparation by the audit firm of the statistical section of the Comprehensive Annual Financial Report.
2. Preparation and publishing by the audit firm of ten copies of the comprehensive Annual Financial report.
3. Preparation of all the State Controllers Report for the City consisting of Cities and Special Districts.

F. Special Considerations

1. The City of Avalon intends to send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting program. Some special assistance from the auditor might be required by the City of Avalon to meet the requirements of that program. The City has not previously received an award from the GFOA.
2. The City of Avalon's accounting system is a proprietary software system (Superion eFinance Plus) currently supported by Centralsquare Technologies.

3. The schedule of expenditures of federal awards and related auditor's report, if required, as well as the reports on the internal control structure and compliance are not to be included in the comprehensive annual financial report but are to be issued separately.

G. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years unless the firm is notified in writing by the City of Avalon 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 of Avalon

US General Accounting Office (GAO)

State of California, State Controller

Los Angeles County, Auditor/Controller

Parties designated by the federal or state governments or by the City of Avalon as part of an audit quality review process

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

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.

III. DESCRIPTION OF THE GOVERNMENT

A. Name of Contact Person

The auditor's principal contact with the City of Avalon will be Matthew Baker, Finance Director, who will coordinate the assistance to be provided by the City of Avalon to the auditor.

B. Background Information

The City of Avalon is located 22 miles off the coast of Southern California on Santa Catalina Island, the City of Avalon is home to approximately 4,000 year round residents and hosts approximately one million visitors annually.

The City's basic services are considered to be governmental activities, including (1) public safety, (2) fire, (3) planning, building and engineering, (4) community services, (5) public works, and (6) general government. Transient occupancy taxes finance, sales taxes, and property taxes fund most of these activities.

The City's governmental activities include the presentation of one separate legal entity – the Avalon Medical Developmental Corporation – the Hospital. Although legally separate, this “discrete component unit” is important because the City is financially responsible for it.

The City's proprietary funds are considered to be business-type activities, including (1) harbor, (2) sewer, (3) saltwater, (4) solid waste, and (5) transportation.

The City of Avalon serves its community of residents and visitors alike with annual funding from grants, fees, collections of taxes and contracts. The City is governed by an elected City Council comprised of a Mayor (elected to two-year term) and four Council Members (each elected to four-year terms).

The City operations are managed by the City Manager and Assistant City Manager. The CM and ACM manage a staff of seven department leaders and their respective staffs of approximately 70 full-time and 35 part time employees located in four facilities across Avalon.

The field assessment portion of the City's audit would take place in late September and completed by mid November, with a report to be completed and published by December 15, 2019. In addition, the City of Avalon requires that a meeting of the auditors and staff members be held to discuss a draft version of the financial statements.

More detailed information on the government and its finances can be found in:

1. June 30, 2019 Annual Financial Report – Available Upon Request.
2. 2019-2020 Annual Budget. Available on the City's website: <http://www.cityofavalon.com/finance>

C. Fund Structure

The City of Avalon uses the following fund types and account groups in its financial reporting:

Fund Type / Account Group	Number of Individual Funds	Number of Funds as Combined in CAFR
General Fund	1	1
Special Revenue Funds	6	6
Debt Service Funds	1	1
Capital Projects Funds	5	5
Enterprise Funds	5	5
Internal Service Funds	3	3

D. Budgetary Basis of Accounting

The City of Avalon prepares its budget on a basis consistent with generally accepted accounting principles.

E. Pension Plans

The City of Avalon participates in the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administration agent for the participating public entities within the State of California.

F. Component Units

The City previously issued a component unit financial statement for the Avalon Redevelopment Agency. With the dissolution of the Agency, the City is no longer issuing component unit financial statements. The City is now acting as a fiduciary of the Successor Agency. The activities of the Successor Agency are now being included on the City's fiduciary statements.

G. Joint Ventures

The City of Avalon participates in no joint ventures.

H. Magnitude of Finance Operations

Financial Services division is headed by Matthew Baker, Finance Director. The department consists of the Finance Director and 3 additional Accounting Technicians.

I. Internal Audit Function

The City of Avalon does not maintain an internal audit function.

J. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact Matthew Baker, Finance Director, at mbaker@cityofavalon.com, telephone (310) 510-0220, extension 170. The City of Avalon will use its best efforts to make prior audit reports available to proposers to aid their response to this request for proposals. However, prior auditor working papers will only be made available to the successful proposer.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Request for proposals issued	May 12, 2020
Due date for written questions	May 22, 2020
Due date for proposals	May 29, 2020
Selected firm notified	June 16, 2020

B. Schedule for the 2020 Fiscal Year Audit (a more comprehensive schedule will be developed for audits of future fiscal years if the City of Avalon exercises its option for additional audits.)

1. Interim Work

Interim work may begin immediately upon selection of auditor by the Committee and confirmation received by the City Council on June 17, 2020 and should be completed no later than September 30, 2020.

2. Year-end Field Work

City staff shall provide an adjusted trial balance and all supporting schedules to auditor no later than September 30, 2020.

Auditor shall complete all field work and adjustments by November 15, 2020.

3 Draft Reports

The auditor shall have drafts of the audit report(s), financial statements, and recommendations to management available for review by the Committee by December 4, 2020.

C. Date Final Report is Due

The Finance Director and the Committee will complete their review of the draft report as expeditiously as possible. It is anticipated that this process will be completed and the final CAFR delivered on December 15, 2020, for the Council meeting of Tuesday, January 5, 2021. A representative of the audit firm will need to be present at that meeting of the City Council to present the audit findings.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department Assistance

The Finance Department personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmation letters will be the responsibility of the audit firm.

B. Electronic Inquiry

The auditor will be provided computer access and the use of the City of Avalon's computer hardware and software for the limited use of testing, verifying, reports and inquiry functions.

C. Report Preparation

Report preparation, editing and printing, including the Comprehensive Annual Financial Report (CAFR) for the City shall be the responsibility of the auditor.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

Matthew Baker, Finance Director
City of Avalon
P.O. Box 707
Avalon, CA 90704
mbaker@cityofavalon.com

2. Submission of Proposals

The following material is required for a proposing firm to be considered:

- a. A master copy (so marked) of a Technical and Comprehensive Dollar Cost Proposal and two copies to include the following:
 - i. Title Page showing the request for proposals' subject; the firm's name; the name, address and telephone number of a contact person; and the date of the proposal.
 - ii. Table of Contents
 - iii. Transmittal Letter, signed, 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 60 days.
 - iv. Detailed Proposal following the order set forth in Section VI B and C of this request for proposals.
 - v. Executed copies of Proposer Guarantees and Warranties, attached to this request for proposals (Appendix B).
- b. The proposer shall include a comprehensive dollar cost bid within the proposal.
- c. Proposers should send the completed proposal to the following address:

Matthew Baker, Finance Director
City of Avalon
P.O. Box 707
Avalon, CA 90704

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 Avalon in conformity with the requirements of this request for proposals. As such, the Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement.

The Technical Proposal should address all the points outlined in the request for proposals. The proposal should be prepared simply and economically, providing a straight forward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, item Nos. 2 through 7 must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Avalon as defined by generally accepted auditing standards / the US General Accounting Office's Government Auditing Standards (1994).

The firm should provide an affirmative statement that it is independent of all of the component units of the City of Avalon as defined by those same standards.

The firm should also list and describe its professional relationships involving the City of Avalon or any of its agencies or component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City of Avalon written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in California

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in California.

4. 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, 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.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

The firm should also identify any engagements similar to the City of Avalon, with special emphasis on governmental agencies which have received the Certificate of Excellence from GFOA.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether such person is licensed to practice as a certified public accountant in California. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education for the

past three (3) years and membership in professional organizations relevant to the performance of this audit.

The firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement will be assured.

Partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted, or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City of Avalon. However, in either case, the City of Avalon retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of the City of Avalon which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last five years that are similar to the engagement described in this request for proposals. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

7. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the City of Avalon.

C. Comprehensive Cost Bid

1. Total All-Inclusive Maximum Price

The comprehensive dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs, including all out-of-pocket expenses.

The City of Avalon will not be responsible for expenses incurred in preparing and submitting the technical proposal or the comprehensive dollar cost bid. Such costs should not be included in the proposal.

The first page of the comprehensive dollar cost bid should include the following information.

- a. Name of Firm
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract with the City of Avalon.
- c. A Total all-Inclusive Maximum Price for the 2020 engagement.
- d. Estimated All-Inclusive Maximum Price for the 2021 and 2022 engagement option.

2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The second page of the comprehensive dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (appendix C), that supports the total all-inclusive maximum price for the City.

3. Out-of-Pocket Expenses Included in the Total All-Inclusive Maximum Price and Reimbursement Rates

All estimated out-of-pocket expenses to be reimbursed should be presented in the comprehensive dollar cost bid in the format provided in the attachment (Appendix C). All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm. The audit firm will be expected to make all travel arrangements for its staff and include these in this category.

4. All-Inclusive Maximum Price Estimates for Subsequent Years

Engagement options for subsequent year's audits shall be negotiated with the City prior to commencement of each year's audit. Price considerations for subsequent audits shall be limited to (1) justifiable increases in audit hour and / or rates, and (2) additional special services requested and / or needed.

5. Rates for Additional Professional Services

If it should become necessary for the City of Avalon to request the auditor to render any additional services to either supplement the services requested in this request for proposals or to perform additional work 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 Avalon and the firm. Any such additional work agreed to between the City of Avalon and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the comprehensive dollar cost bid.

6. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Interim billings shall cover a period of not less than a calendar month. Ten percent (10%) of the contract will be withheld from the final billing pending delivery of the firm's final reports.

VII. EVALUATION PROCEDURES

A. Committee

Proposals submitted will be evaluated by a three-member Committee to include the Finance Director, Assistant City Manager and City Manager.

B. Review of Proposals

The Committee will use a point formula during the review process to score proposals. The Audit Committee will score each proposal by each of the criteria described in Section VII C below.

The City of Avalon reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process.

1. Mandatory Elements
 - a. The audit firm is independent and licensed to practice in California and has at least two years of experience in performing audits of governmental entities.
 - b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two years and have at least two years of experience in performing audits of other governmental entities.
 - c. The firm has no conflict of interest with regard to any other work performed by the firm for the City of Avalon.
 - d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.
 - e. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
2. Technical Qualifications: (Maximum Points – 70)
 - a. Expertise and Experience
 1. The firm's past experience and performance on comparable government engagements, especially those which have received the Certificates of Excellence from GFOA and CSMFO.
 2. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
 - b. Commitment to Governmental Accounting

1. The firm's membership in governmental accounting organizations and past results in the various award programs through GFOA and CSMFO.
2. The firm's commitment to Avalon's audit schedule deadlines.
3. Price: (Maximum Points – 30)

D. Oral Presentations

During the final phase of the evaluation process, the Committee may convene a panel to conduct oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Committee may have on a firm's proposal.

E. Final Selection

The selection of the audit firm will be made by the Committee, with ratification by the City Council.

F. Right to Reject Proposals

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 Avalon and the firm selected. The City of Avalon reserves the right without prejudice to reject any or all proposals.