

CITY OF MERCED
REQUEST FOR PROPOSALS
FOR
PROFESSIONAL AUDITING AND RELATED
SERVICES OCTOBER 1, 2020



FINANCE DEPARTMENT
678 WEST 18TH STREET
MERCED, CA 95340

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REQUEST FOR PROPOSALS
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CITY OF MERCED
REQUEST FOR PROPOSALS
October 1, 2020

I. INTRODUCTION

A. General Information

The City of Merced is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2021, with the option of auditing its financial statements for each of the four (4) subsequent fiscal years. These financial audits are to be performed in accordance with Generally Accepted Auditing Standards, the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and related services are to be performed in accordance with applicable standards.

Respondents to this Request for Proposal must submit completed proposals in a sealed envelope, clearly marked with "Bid for Professional Auditing and Related Services" and the name of the bidder. One (1) original and three (3) copies of the proposal must be received by 5:00 p.m. on October 23, 2020, at the following address:

CITY OF MERCED
FINANCE DEPARTMENT
678 West 18th Street
Merced, CA 95340

Proposals become part of the official files of the City of Merced and will not be returned to the bidders. The City of Merced reserves the right to reject any or all proposals submitted.

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

During the evaluation process, the City of Merced reserves the right, where it may serve the City's best interest, to request additional information or clarification from firms submitting proposals, or to allow corrections of errors or omissions. At the City's discretion the engagement Manager and Senior Auditor of firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City of Merced 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 Merced and the firm selected.

It is anticipated that the selection of a firm and the approval of the contract will be approved at the December 21, 2020 City Council meeting.

B. Background Information

The City of Merced is in the Central Valley of California. The City of Merced, a charter city, serves an area of 23 square miles with a population of 86,750. The City was incorporated in 1928 and operates under a Council-Manager form of government. The Mayor is elected by the citizens of the City and serves for a four-year term. Council Members serve for four years, with two or three seats up for election every two years. The City Manager, who is the administrative official of the City, is appointed by the City Council. The Finance Officer is also appointed by the City Council and works under the direction of the City Manager. The City of Merced provides police and fire public safety, water, sewer and refuse collection, planning, zoning and building, housing, recreation, and general administrative services. The City is also responsible for maintaining all streets, trees and parks located within the city limits. The City also operates the Merced Regional Airport.

The City's Fiscal Year 2020-21 operating and capital budget is over \$265.3 million with estimated revenues of over \$192.6 million. The City has a total annual payroll budget of approximately \$67.5 million covering 487 full-time employees.

The City's most recent budget and comprehensive annual financial report can be found on the City's website www.cityofmerced.org. Questions about this Request for Proposals should be directed to Julie Trujillo, Deputy Finance Officer at (209) 385-6883 or trujilloj@cityofmerced.org.

C. Term of Engagement

A five-year contract is contemplated, subject to the annual review and recommendation of the Finance Officer, the satisfactory negotiation of terms, including a price acceptable to both the City of Merced and the selected firm, the concurrence of the City Council and the annual availability of an appropriation. A sample contract is provided as Appendix D.

D. Subcontracting

Should any firm submitting a proposal consider subcontracting portions of the engagement, that fact must be clearly identified in the proposal along with the name of the proposed subcontracting firms. Following the award of the audit contract, no additional subcontracting will be allowed without the express prior written consent by the City of Merced.

II. NATURE OF SERVICES REQUIRED

A. General

The City of Merced is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2021 and perform additional auditing related services with an option to extend the service for each of the four (4) subsequent fiscal years. These audits are to be performed in accordance with the

provisions contained in this request for proposals. Furthermore, the City is soliciting for additional auditing and related services identified in Section II E.

B. Scope of Work to be Performed

The City of Merced desires the Auditor to express an opinion on the fair presentation of its financial statements in conformity with generally accepted accounting principles. 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 basic financial statements. The Auditor is not required to audit the introductory section or the statistical section of the report.

The Auditor shall also be responsible for performing certain limited procedures involving required supplementary information and supplementary information required by the Governmental Accounting Standards Board as mandated by Generally Accepted Auditing Standards.

The Auditor is to issue an opinion as to whether the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

C. Auditing Standards to be Followed

To meet requirements of this request for proposals, the financial audit shall be performed in accordance with Generally Accepted Auditing Standards as set forth by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Compliance audits and related services will be performed in accordance with applicable standards.

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 Governmental Auditing Standards for the City of Merced.
3. A report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Governmental Auditing Standards (Single Audit).

4. A report on compliance with requirements applicable to each major program and internal control over compliance and any additional reports required in accordance with the standards applicable to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) (Single Audit)
5. Additional reports as may be required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) (Single Audit).
6. A report on agreed-upon procedures applied to the Appropriation Limit (GANN Limit).
7. Biennially, a report on compliance with requirements of California Vehicle Code (VC) Sections 9250.7 and 22710 (Abandoned Vehicle Abatement Program).

The reports on compliance and internal controls shall include all instances of non-compliance.

Auditors shall make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware of to the Director of Support Services.

E. Special Considerations

1. The City of Merced determines the cognizant agency in accordance with the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The schedule of expenditures of federal awards and related Auditor's report, as well as the reports on the internal controls and compliance are not to be included in the comprehensive annual financial report but are to be issued separately.
2. The Auditor shall prepare a comfort letter required for the Wastewater and Water loan with California Infrastructure and Economic Development Bank.
4. The City of Merced will be required to implement Government Accounting Standards Board (GASB) pronouncements that take effect during the term of the contract. The level of assistance to be provided will be discussed on a case by case basis and mutually agreed upon by Auditor and the Finance Officer.
5. During the term of the agreement the City of Merced may prepare comprehensive annual financial report to the Government Finance Officer Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program. Due to the downturn in the economy, the City's budget and staffing was reduced which resulted in a Basic Financial Statement being issued since Fiscal Year 2011. Prior to Fiscal Year 2011 the City issued a comprehensive annual financial report and had received the certificate for fifteen consecutive years from Fiscal Year 1996 to 2011. It is anticipated that the Auditor will be required to provide assistance to the City of Merced to meet the requirements of the program at some point during the term of the engagement.

6. The City of Merced intends to issue the financial statements no later than December 16, 2021. The City intends to issue the statements in mid-December in subsequent years.
7. The City of Merced's Abandoned Vehicle Abatement Program was created in July 2008 as a party to the Merced County Abandoned Vehicle Abatement Service Authority that was established pursuant to Section 22710 of the California Vehicle Code (VC). The Code allows for the abatement, removal or disposal as a public nuisance of any abandoned, wrecked, dismantled, or inoperative vehicle from private or public property. The City's Abandoned Vehicle Abatement Program requires a biennial audit to report on the compliance with VC Sections 9250.7 and 22710. A biennial audit is required in Fiscal Years 2022 and 2024.

F. 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 Merced of the need to extend the retention period. The Auditor will be required to make working papers available, upon request, to the City and any third parties authorized by the City.

III. DESCRIPTION OF THE GOVERNMENT

A. Contact

The Auditor's principal contact with the City of Merced will be Julie Trujillo, Deputy Finance Officer, designated representative, who will coordinate the assistance to be provided by the City of Merced to the Auditor. Name and phone number of key contacts:

Julie Trujillo, Deputy Finance Officer	(209) 385-6883
Venus Rodriguez, Finance Officer	(209) 385-8547

B. Accounting and Financial Reporting

The City's accounts are organized and operated on the basis of the following fund types and account groups:

<u>Fund Type</u>	<u>Number of Funds</u>
General fund	1
Special revenue funds	158
Debt service funds	1
Capital project funds	7
Enterprise funds	15
Internal service funds	10
Private purpose trust funds	4
Agency funds	13

C. Budgetary Basis of Accounting

The City of Merced's budget is adopted on the modified basis of accounting on a basis consistent with generally accepted accounting principles (GAAP).

<u>Fund Type</u>	<u>Number with Legally Adopted Annual Budgets</u>
General Fund	1
Special Revenue Funds	158
Debt Service Funds	1
Capital Project Funds	6
Enterprise Funds	15
Internal Trust Funds	10
Private Purpose Trust Funds	2
Agency Funds	7

D. Pension Plans

All full-time City employees are members of the State of California Public Employees Retirement System. The City's policy is to fund on-going costs and unfunded actuarial liabilities as determined annually by the actuary. Pension costs are accounted for in individual funds for which other payroll items are also accounted and not in separate trust funds.

E. Component Units

The management of the City of Merced has identified the City of Merced Public Financing and Economic Development Authority and the Parking Authority of the City of Merced as component units of the City and are included in the financial statements of the City using the blended method. The members of the City Council act as the governing board. These component units are to be audited as part of the audit of the City of Merced's financial statements.

The management of the City of Merced has determined that the potential component units of Merced County Coalition of Affordable Housing and Merced Downtown Association should not be included in the City of Merced's financial statements since it is not misleading to exclude because of their relationship with the primary government.

F. Magnitude of Finance Operations

The Finance Department is headed by Venus Rodriguez, Finance Officer and consists of 23 permanent budgeted positions. The principal functions performed, and the number of employees assigned are as follows:

- Administering, coordinating and directing activities of the Finance Department (2)
- Accounting, accounts payable and budget (8)
- Payroll (2)
- Accounts receivable billing and Customer Service for utilities (water, sewer and trash), business license, miscellaneous receivables and parking citations (9)
- Purchasing and central stores (2)

G. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports should contact the Deputy Finance Officer. The City of Merced will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposal.

IV. TIME REQUIREMENTS

A. Proposal Calendar

Request for proposals issued	October 1, 2020
Due date for proposals	October 23, 2020

B. Notification and Contract Dates

Selection for oral interviews	October 30, 2020
Oral interviews	November 2-6, 2020
Council meeting to approve contract	December 21, 2020

C. Date Audit May Commence

The City of Merced will have all records ready for preliminary audit fieldwork and all management personnel available to meet with the firm's personnel as soon as the contract is executed.

D. Audit Timeline

1. Interim Work

The Auditor shall complete the interim work by May 31 of each year.

2. Detailed Audit Plan

The Auditor shall provide the City of Merced, by May 15, both a detailed audit plan and a list of all schedules to be prepared by the City of Merced.

3. Fieldwork

The Auditor shall complete all fieldwork by the last week of October or another mutually agreed upon week arranged to meet the requirements for completion of the City's financial statements.

E. Entrance Conferences, Progress Reporting, and Exit Conferences

At a minimum, the following conferences should be held by the dates indicated on the schedule.

Entrance conference with the Finance Officer, Deputy Finance Officer and key personnel by May 30.

- The purpose of this meeting will be to discuss prior audit engagements and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for workspace and other needs of the Auditor.

Progress conference with the Finance Officer, Deputy Finance Officer and key personnel by June 15.

- The purpose of this meeting will be to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested. The year-end work to be performed will also be discussed in this meeting.

Exit conference with the Finance Officer, Deputy Finance Officer and key personnel by October 31.

- The purpose of this meeting will be to summarize the results of the fieldwork and to review significant findings.

In addition, the Auditor shall provide written reports on the progress of the audit.

F. Date of Draft and Final Report is Due

The Auditor shall prepare the draft financial statements by November 10. The Deputy Finance Officer shall provide all recommendations, revisions, notes and suggestions for improvements to the Auditor by November 20.

The Auditor shall prepare the financial statements notes, required supplementary schedules, and the supplementary schedules and statistical data, if applicable by November 30. The Finance Officer will review the final draft report as expeditiously as possible. It is not expected that this process should exceed two weeks. During the review periods, the Auditor

should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the camera-ready reports shall be delivered to the Finance Officer for publication within five (5) workdays. Dates are subject to change by mutual agreement to meet the requirements for completion of the City's financial statements.

G. Single Audit

The Single Audit Report for the City of Merced shall be completed on the same schedule as the financial statement timeline noted above.

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

A. Finance Department and Clerical Assistance

The Finance Department staff, and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the City of Merced.

B. Statements and Schedules to be Prepared by the Staff of the City of Merced

The staff of the City of Merced will prepare the draft footnotes and will assist with the preparation of the supplemental information. The final draft footnotes will be completed once the draft of the Government Wide statement has been completed.

C. Work Area, Telephones, Photocopying, FAX Machine and Internet Access.

The City of Merced will provide the Auditor with reasonable workspace, desks and chairs. The Auditors will also be provided access to telephone lines, photocopying facilities Fax machine and internet.

D. Report Preparation

The City of Merced will prepare a draft of the fund financial statements, notes, statistical information and required supplementary information. In addition, the City of Merced will prepare GASB #34 conversion entries to be used to compile the Government Wide Statements. The Auditor shall assist in preparing the Government Wide Statement and will be responsible for the final report preparation, formatting, and editing. Printing shall be the responsibility of the City.

VI. PROPOSAL REQUIREMENTS

A. Inquiries

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

Julie Trujillo, Deputy Finance Officer
City of Merced
Finance Department
678 West 18th Street
Merced, CA 95340
(209) 385-6883
trujilloj@cityofmerced.org

B. Submission of Proposals

The following material is required to be received by 5:00 p.m. on October 23, 2020, for a proposing firm to be considered:

1. One (1) original copy and two (3) copies to include the following:

a. Title Page.

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.

b. Table of Contents.

c. 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.

d. Detailed Proposal.

The detailed proposal should follow the order set forth in Section VI-C of this request for proposals.

e. Proposer Guarantees and Proposer Warranties.

The proposer shall agree to Proposer Guarantees and Proposer Warranties by signing copies of Appendix A and Appendix B attached to this proposal.

2. The proposer shall submit an original and two (3) copies of a dollar cost bid in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID
PROPOSAL
FOR CITY OF MERCED
FOR
PROFESSIONAL AUDITING AND RELATED SERVICES
June 30, 2021 and Optional Four (4) Subsequent Fiscal Years

3. Proposer should send the completed proposal consisting of two separate envelopes to the following address:

Julie Trujillo, Deputy Finance Officer
City of Merced
Finance Department
678 West 18th Street
Merced, CA 95340

C. 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 Merced in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The technical proposal should address all the points outlined in this request for proposals (excluding any cost information which should only be included in the sealed dollar cost bid). The proposal should be prepared simply and economically, providing a straightforward, 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 numbers 2 through 11, 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 Merced as well as its component units.

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 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.

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 and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each person is registered or 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. Indicate how the quality of staff over the term of the agreement will be assured.

Engagement 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 Merced. However, in either case the City of Merced 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 Merced, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided the 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 five) 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 principle client contact.

7. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as the City of Merced's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement.
- d. Extent of use of EDP software in the engagement.
- e. Type and extent of analytical procedures to be used in the engagement.
- f. Approach to be taken to gain and document an understanding of the City of Merced's internal control structure.
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- h. Approach to be taken in determining audit samples for purposes of tests of compliance.

8. Discussion of Relevant Accounting Issues

The proposal shall identify and describe recent changes in accounting principles and pronouncements and their impact on the presentation, scope, and disclosure of the City's financial reports.

9. 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 Merced.

10. List of Schedules Prepared by Client

The proposal shall include a list of standard audit schedules the audit firm anticipates the City staff to prepare.

11. Report Format

The proposal shall include sample formats for required reports.

D. Sealed Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The sealed 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 direct expenses.

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

The first page of the sealed 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 Merced.
- c. Total all-inclusive maximum price for the 2021 engagement and optional four (4) subsequent fiscal years.

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

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix C), which supports the total all-inclusive maximum price. The cost of special services described in Section II E of this request for proposals should be disclosed as separate components of the total all-inclusive maximum price.

3. Rates for Additional Professional Services

If it should become necessary for the City of Merced to request the Auditor to render any additional services to either supplement the services requested in this Request for Proposal 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 Merced and the firm. Any such additional work agreed to between the City of Merced and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

4. 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.

VII. EVALUATION PROCEDURES

A. Review of Proposals

During the review process, a point formula will be used to score each proposal as described in Section VII-B below. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

B. 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.
- b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two years.
- c. The audit firm has no conflict of interest with regard to any other work performed by the firm for the City of Merced.
- d. The audit 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 audit firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.

2. Technical Qualifications (Maximum Points – 60)

a. Expertise and Experience (Maximum Points – 35)

- 1) The firm's experience and performance on comparable government engagements.
- 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. Audit approach (Maximum Points – 25)

- 1) Adequacy of proposed staffing plan for various segments of the engagement.
- 2) Adequacy of sampling techniques.
- 3) Adequacy of analytical procedures.

3. Price (Maximum Points – 40)

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM.

C. Oral Presentation

During the evaluation process, any one of the firms may be required to make an oral presentation. Such presentation will provide the firm an opportunity to answer any questions on their proposal. Not all firms may be asked to make such oral presentations.

D. Final Selection

It is anticipated that a contract will be approved at the December 21, 2020 City Council meeting.

E. 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 Merced and the firm selected.

The City of Merced reserves the right without prejudice to reject any or all proposals.

APPENDIX A

PROPOSER GUARANTEES

The proposer certifies it can and will provide and make available, at a minimum, all services set forth in Section II, Nature of Services Required.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX B

PROPOSER WARRANTIES

Proposer warrants that upon acceptance and during the term of the engagement they shall maintain in full force and effect at its own cost and expense the following insurance coverage:

Workers' Compensation Insurance: Full Workers' Compensation Insurance shall be provided with a limit of at least One Hundred Thousand Dollars (\$100,000.00) for any one person and as required by law, including Employer's Liability limits of One Million Dollars (\$1,000,000.00) per accident. The policy shall be endorsed to waive the insurer's subrogation rights against the City.

General Liability: Auditor shall obtain and keep in full force and effect coverage at least as broad as ISO commercial general liability coverage occurrence Form CG 0001 and shall maintain limits of no less than One Million Dollars (\$1,000,000.00) per occurrence for bodily injury, personal injury and property damage. The City, its officers, employees, volunteers, and agents are to be named additional insureds under the policy, as respects liability arising out of work or operations performed by or on behalf of the Auditor. The policy shall stipulate that this insurance will operate as primary insurance for work performed by Auditor and its sub-contractors, and that any other insurance or self insurance maintained by City or other insureds shall be excess and non-contributory. Auditor shall maintain its commercial general liability coverage for three (3) years after completion of the work and shall add an additional insured endorsement form acceptable to the City naming the City of Merced, its officers, employees, agents and volunteers for each year thereafter for at least three (3) years after completion of the work. Copies of the annual renewal and additional insured endorsement form shall be sent to the City within thirty (30) days of the annual renewal.

Automobile Insurance: Auditor shall obtain and keep in full force and effect an automobile policy of at least One Million Dollars (\$1,000,000.00) per accident for bodily injury and property damage. The City, its officers, employees, volunteers, and agents are to be named additional insureds under the policy, as respects automobiles owned, leased, hired or borrowed by the Auditor. The policy shall stipulate that this insurance will operate as primary insurance for work performed by Auditor and its sub-contractors, and that any other insurance or self insurance maintained by City or other named insureds shall be excess and non-contributory.

Professional Liability Insurance: Auditor shall carry professional liability insurance appropriate to Auditor's profession in the minimum amount of One Million Dollars (\$1,000,000.00).

Qualifications of Insurer: The insurance shall be provided by an acceptable insurance provider, as determined by City, which satisfies all of the following minimum requirements; an insurance carrier admitted to do business in California and maintaining an agent for service of process within this State; and, an insurance carrier with a current A.M. Best Rating of A:VII or better (except for workers' compensation provided through the California State Compensation Fund).

Certificate of Insurance: Auditor shall complete and file with the City prior to engaging in any operation or activity set forth above, certificates of insurance evidencing coverage as set forth above and which shall provide that no cancellation or expiration by the insurance company will be made during the term of the engagement, without thirty (30) days written notice to the City prior to the effective date of such cancellation, including cancellation for non-payment of premium. In addition to any other remedies City may have, City reserves the right to withhold payment if Auditor's insurance policies are not current.

Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the City of Merced.

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

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX C

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT AND RELATED SERVICES OF THE 2020-2021 FINANCIAL STATEMENTS AND FOUR (4) SUBSEQUENT FISCAL YEARS

I. FINANCIAL AUDIT

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	_____	\$ _____	\$ _____	\$ _____
Managers	_____	_____	_____	_____
Supervisory Staff	_____	_____	_____	_____
Staff	_____	_____	_____	_____
Other (Specify)	_____	_____	_____	_____
Subtotal				\$ _____

II. SINGLE AUDIT

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	_____	\$ _____	\$ _____	\$ _____
Managers	_____	_____	_____	_____
Supervisory Staff	_____	_____	_____	_____
Staff	_____	_____	_____	_____
Other (Specify)	_____	_____	_____	_____
Subtotal				\$ _____

III. BIENNIAL VEHICLE ABATEMENT REPORT

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	_____	\$ _____	\$ _____	\$ _____
Managers	_____	_____	_____	_____
Supervisory Staff	_____	_____	_____	_____
Staff	_____	_____	_____	_____
Other (Specify)	_____	_____	_____	_____
Subtotal				\$ _____

IV. TOTAL FOR SERVICES DESCRIBED IN SECTION II-E OF THE REQUEST FOR PROPOSALS

\$ _____

(Please Itemize)

_____ \$ _____

V. OUT-OF-POCKET EXPENSES

Meals and Lodging \$ _____

Transportation _____

Other (Specify) _____

VI. TOTAL ALL-INCLUSIVE MAXIMUM PRICE FOR AUDIT \$ _____

Provide separate schedule for each optional fiscal year and indicate fiscal year at top of schedule.

AGREEMENT FOR PROFESSIONAL SERVICES

THIS AGREEMENT is made and entered into this ____ day of _____, 20__, by and between the City of Merced, a California Charter Municipal Corporation, whose address of record is 678 West 18th Street, Merced, California 95340, (hereinafter referred to as “City”) and _____, a _____, whose address of record is _____ (hereinafter referred to as “Consultant”).

WHEREAS, City is undertaking a project to _____; and,

WHEREAS, Consultant represents that it possesses the professional skills to provide _____ services in connection with said project.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants hereinafter recited, hereby agree as follows:

1. **SCOPE OF SERVICES.** The Consultant shall furnish the following services: Consultant shall provide the _____ services described in Exhibit “A” attached hereto.

No additional services shall be performed by Consultant unless approved in advance in writing by the City, stating the dollar value of the services, the method of payment, and any adjustment in contract time. All such services are to be coordinated with City and the results of the work shall be monitored by the _____ or designee. However, the means by which the work is accomplished shall be the sole responsibility of the Consultant.

2. **TIME OF PERFORMANCE.** All of the work outlined in the Scope of Services shall be completed in accordance with the Schedule outlined in Exhibit “B” attached hereto and incorporated herein by reference. By mutual agreement and written addendum to this Agreement, the City and the Consultant may change the requirements in said Schedule.

3. **TERM OF AGREEMENT.** The term of this Agreement shall commence upon the day first above written and end on _____, 20__.

4. **COMPENSATION.** Payment by the City to the Consultant for actual services rendered under this Agreement shall be made upon presentation of an

invoice detailing services performed under the Scope of Services, in accordance with the fee schedule set forth in Exhibit "C" attached hereto and incorporated herein by reference. The Consultant agrees to provide all services required under the Scope of Services in Exhibit "A" within the compensation amount set forth in Exhibit "C". For Consultant's services rendered under this Agreement, City shall pay Consultant the not to exceed sum of \$_____.

5. **METHOD OF PAYMENT.** Compensation to Consultant shall be paid by the City after submission by Consultant of an invoice delineating the services performed.

6. **RECORDS.** It is understood and agreed that all plans, studies, specifications, data magnetically or otherwise recorded on computer or computer diskettes, records, files, reports, etc., in possession of the Consultant relating to the matters covered by this Agreement shall be the property of the City, and Consultant hereby agrees to deliver the same to the City upon termination of the Agreement. It is understood and agreed that the documents and other materials including but not limited to those set forth hereinabove, prepared pursuant to this Agreement are prepared specifically for the City and are not necessarily suitable for any future or other use.

7. **CONSULTANT'S BOOKS AND RECORDS.** Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to the City for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to the Consultant to this Agreement. Any records or documents required to be maintained shall be made available for inspection, audit and/or copying at any time during regular business hours, upon oral or written request of the City.

8. **INDEPENDENT CONTRACTOR.** It is expressly understood that Consultant is an independent contractor and that its employees shall not be employees of or have any contractual relationship with the City. Consultant shall be responsible for the payment of all taxes, workers' compensation insurance and unemployment insurance. Should Consultant desire any insurance protection, the Consultant is to acquire same at its expense.

In the event Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System

(PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, protect, defend, and hold harmless the City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

9. INDEMNITY. Consultant shall indemnify, protect, defend (with legal counsel selected by the City), save and hold City, its officers, employees, and agents, harmless from any and all claims or causes of action for death or injury to persons, or damage to property resulting from intentional or negligent acts, errors, or omissions of Consultant or Consultant's officers, employees, volunteers, and agents during performance of this Agreement, or from any violation of any federal, state, or municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct, negligent acts, or omissions of Consultant or its employees, subcontractors, or agents, or by the quality or character of Consultant's work, or resulting from the negligence of the City, its officers, employees, volunteers and agents, except for loss caused by the sole negligence or willful misconduct of the City or its officers, employees, volunteers or agents. It is understood that the duty of Consultant to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of insurance certificates and endorsements required under this Agreement does not relieve Consultant from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall survive the termination of this Agreement and shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply. By execution of this Agreement, Consultant acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.

10. INSURANCE. During the term of this Agreement, Consultant shall maintain in full force and effect at its own cost and expense, the following insurance coverage:

a. Workers' Compensation Insurance. Full workers' compensation insurance shall be provided with a limit of at least One Hundred Thousand Dollars (\$100,000) for any one person and as required by law, including Employer's Liability limits of \$1,000,000.00 per accident. The policy shall be endorsed to waive the insurer's subrogation rights against the City.

b. General Liability.

- (i) Consultant shall obtain and keep in full force and effect general liability coverage at least as broad as ISO commercial general liability coverage occurrence Form CG 0001.
- (ii) Consultant shall maintain limits of no less than One Million Dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage.
- (iii) The City, its officers, employees, volunteers and agents are to be named as additional insureds under the policy, as respects liability arising out of work or operations performed by or on behalf of the Consultant.
- (iv) The policy shall stipulate that this insurance will operate as primary insurance for work performed by Consultant and its sub-contractors, and that any other insurance or self insurance maintained by City or other named insureds shall be excess and non-contributory.
- (v) Consultant shall maintain its commercial general liability coverage for three (3) years after completion of the work and shall add an additional insured endorsement form acceptable to the City naming the City of Merced, its officers, employees, agents and volunteers for each year thereafter for at least three (3) years after completion of the work. Copies of the annual renewal and additional insured endorsement form shall be sent to the City within thirty (30) days of the annual renewal.

c. Automobile Insurance.

- (i) Consultant shall obtain and keep in full force and effect an automobile policy of at least One Million Dollars (\$1,000,000) per accident for bodily injury and property damage.
- (ii) The City, its officers, employees, volunteers and agents are to be named as additional insureds under the policy, as respects automobiles owned, leased, hired or borrowed by the Consultant.

- (iii) The policy shall stipulate that this insurance will operate as primary insurance for work performed by Consultant and its sub-contractors, and that any other insurance or self insurance maintained by City or other named insureds shall be excess and non-contributory.

d. Professional Liability Insurance. Consultant shall carry professional liability insurance appropriate to Consultant's profession in the minimum amount of One Million Dollars (\$1,000,000). Architects and engineers' coverage is to be endorsed to include contractual liability.

e. Qualifications of Insurer. The insurance shall be provided by an acceptable insurance provider, as determined by City, which satisfies all of the following minimum requirements:

- (i) An insurance carrier admitted to do business in California and maintaining an agent for service of process within this State; and,
- (ii) An insurance carrier with a current A.M. Best Rating of A:VII or better (except for workers' compensation provided through the California State Compensation Fund).

f. Certificate of Insurance. Consultant shall complete and file with the City prior to engaging in any operation or activity set forth in this Agreement, certificates of insurance evidencing coverage as set forth above and which shall provide that no cancellation or expiration by the insurance company will be made during the term of this Agreement, without thirty (30) days written notice to City prior to the effective date of such cancellation—including cancellation for nonpayment of premium.

g. Notwithstanding any language in this Agreement to the contrary, Consultant shall be entitled to be paid pursuant to the terms of this Agreement until Consultant has obtained the insurance required by this Section 10 and provided documentation of said insurance to the City. In addition to any other remedies City may have, City reserves the right to withhold payment if Consultant's insurance policies are not current.

11. ASSIGNABILITY OF AGREEMENT. It is understood and agreed that this Agreement contemplates personal performance by the Consultant and is

based upon a determination of its unique personal competence and experience and upon its specialized personal knowledge. Assignments of any or all rights, duties or obligations of the Consultant under this Agreement will be permitted only with the express written consent of the City.

12. **TERMINATION FOR CONVENIENCE OF CITY.** The City may terminate this Agreement any time by mailing a notice in writing to Consultant that the Agreement is terminated. Said Agreement shall then be deemed terminated, and no further work shall be performed by Consultant. If the Agreement is so terminated, the Consultant shall be paid for that percentage of the phase of work actually completed, based on a pro rata portion of the compensation for said phase satisfactorily completed at the time the notice of termination is received.

13. **CONFORMANCE TO APPLICABLE LAWS.** Consultant shall comply with its standard of care regarding all applicable Federal, State, and municipal laws, rules and ordinances. No discrimination shall be made by Consultant in the employment of persons to work under this contract because of race, color, national origin, ancestry, disability, sex or religion of such person.

Consultant hereby promises and agrees to comply with all of the provisions of the Federal Immigration and Nationality Act (8 U.S.C.A. 1101 *et seq.*), as amended; and in connection therewith, shall not employ unauthorized aliens as defined therein. Should Consultant so employ such unauthorized aliens for the performance of work and/or services covered by this Agreement, and should any agency or instrumentality of the federal or state government, including the courts, impose sanctions against the City for such use of unauthorized aliens, Consultant hereby agrees to, and shall, reimburse City for the cost of all such sanctions imposed, together with any and all costs, including attorneys' fees, incurred by the City in connection therewith.

14. **WAIVER.** In the event that either City or Consultant shall at any time or times waive any breach of this Agreement by the other, such waiver shall not constitute a waiver of any other or succeeding breach of this Agreement, whether of the same or any other covenant, condition or obligation. Waiver shall not be deemed effective until and unless signed by the waiving party.

15. **INCONSISTENT OR CONFLICTING TERMS IN AGREEMENT AND EXHIBITS.** In the event of any contradiction or inconsistency between any attached document(s) or exhibit(s) incorporated by reference herein and the provisions of the Agreement itself, the terms of the Agreement shall control.

Any exhibit that is attached and incorporated by reference shall be limited to the purposes for which it is attached, as specified in this Agreement. Any contractual terms or conditions contained in such exhibit imposing additional obligations on the City are not binding upon the City unless specifically agreed to in writing, and initialed by the authorized City representative, as to each additional contractual term or condition.

16. **AMBIGUITIES.** This Agreement has been negotiated at arms' length between persons knowledgeable in the matters dealt with herein. Accordingly, any rule of law, including, but not limited to, Section 1654 of the Civil Code of California, or any other statutes, legal decisions, or common-law principles of similar effect, that would require interpretation of any ambiguities in this Agreement against the party that drafted this Agreement is of no application and is hereby expressly waived.

17. **VENUE.** This Agreement and all matters relating to it shall be governed by the laws of the State of California and any action brought relating to this agreement shall be held exclusively in a state court in the County of Merced.

18. **AMENDMENT.** This Agreement shall not be amended, modified, or otherwise changed unless in writing and signed by both parties hereto.

19. **INTEGRATION.** This Agreement constitutes the entire understanding and agreement of the parties and supersedes all previous and/or contemporaneous understanding or agreement between the parties with respect to all or any part of the subject matter hereof.

20. **AUTHORITY TO EXECUTE.** The person or persons executing this Agreement on behalf of the parties hereto warrants and represents that he/she/they has/have the authority to execute this Agreement on behalf of their entity and has/have the authority to bind their party to the performance of its obligations hereunder.

21. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts with each counterpart being deemed an original. No counterpart shall be deemed to be an original or presumed delivered unless and until the counterparts executed by the other parties hereto are in the physical possession of the party or parties seeking enforcement thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first above written.

CITY OF MERCED
A California Charter Municipal
Corporation

BY: _____
City Manager

ATTEST:
CITY CLERK

BY: _____
Assistant/Deputy City Clerk

APPROVED AS TO FORM:

BY: _____
City Attorney Date

ACCOUNT DATA:

BY: _____
Verified by Finance Officer

CONSULTANT

BY: _____
(Signature)

(Typed Name)

Its: _____
(Title)

BY: _____
(Signature)

(Typed Name)

Its: _____
(Title)

Taxpayer I.D. No. _____

ADDRESS: _____

TELEPHONE: _____

FAX: _____

E-MAIL: _____