

**CITY OF PFLUGERVILLE
REQUEST FOR AUDIT PROPOSALS**

I. GENERAL INFORMATION

The City of Pflugerville (the “City”) is requesting proposals from qualified firms of Certified Public Accountants to audit financial statements of the City as well as the financial statements of the City’s component unit, Pflugerville Community Development Corporation (PCDC), for the fiscal year ending September 30, 2015, with the option of auditing both financial statements for each of the four (4) subsequent fiscal years based on satisfactory performance. These audits are to be performed in accordance with the standards set forth for financial audits as outlined in Section II – ‘C. Auditing Standards to be Followed’ of this document.

There is no expressed or implied obligation for the City 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 Ms. Lauren Vander Laan, Accountant, at laurenv@pflugervilletx.gov or at P.O. Box 589, Pflugerville, TX 78691.

To be considered, Ms. Amy M. Good, Finance Director, 100 East Main St., Pflugerville, TX 78660 must receive three (3) hard copies and one (1) electronic copy of the proposal, by 4:00 p.m. on Friday, May 29th, 2015. The City reserves the right to reject any or all proposals submitted.

The City reserves the right to request additional information or clarification from proposers, or to allow corrections of errors or omissions. At the discretion of the City, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City 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 the request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the firm selected.

It is anticipated the selection of a firm will be completed by June 24, 2015. Following the notification of the selected firm, it is expected a contract will be executed between both parties by June 30, 2015.

II. NATURE OF SERVICES REQUIRED

A. GENERAL

The City is soliciting the services of qualified firms of Certified Public Accountants to audit the City's financial statements as well as the financial statements of the PCDC for the fiscal year ending September 30, 2015, with option to audit the City's financial statements and the PCDC's financial statements 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.

B. SCOPE OF WORK TO BE PERFORMED

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

The City may request the auditor to perform other audits and reviews not specifically provided for. If such a request is made, the auditor shall submit, at the City's request, a separate proposal for completing the engagement, along with a proposed fee schedule. The City reserves the right to contract any additional audits or reviews with whomever they choose.

C. AUDITING STANDARDS TO BE FOLLOWED

To meet the requirements of the 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 U. S. General Accounting Office's (GAO) Government Auditing Standards, the provisions of the federal Single Audit Act of 1984 and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments as well as the following additional requirements:

Examination for compliance with procedures established by City Charter, any Ordinance or, where applicable, State and Federal Laws or regulations, including the Texas Code of Criminal Procedures; and

Standards set forth in the Government Finance Officers Association's (GFOA) Governmental Accounting, Auditing and Financial Reporting and standards for the GFOA's Certificate for Achievement for Excellence in Financial Reporting program.

D. REPORTS TO BE ISSUED

Following the completion of the audits of the fiscal year's financial statements for the City and for the PCDC, the auditor shall issue separate reports for the City and for the PCDC each including:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk.

In the required report on internal control, 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 assertion 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 reports on internal controls.

3. A report on compliance with applicable laws and regulations.

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

4. Reports required by OMB Circular A-133, if required.
 - Report on the status of internal controls relative to the financial statements and major programs.
 - Compliance report that describes the degree to which the recipient has complied with laws, regulations, and the terms and conditions of the federal assistance awards.
 - Schedule of findings and questioned costs.
 - List of major programs using the required risk-based methodology.
 - Determination concerning federal programs as to whether the recipient of the federal award is a "high risk" or "low risk".

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 Finance Director.

E. SPECIAL CONSIDERATIONS

The City will be implementing GASB 68 for the period ending September 30, 2015.

For the last decade, the City has participated in the Certificate of Achievement for Excellence in Financial Reporting program, receiving the award each year. The City will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review. The City will prepare the introduction, Management’s Discussion & Analysis and statistical sections. It is anticipated that the auditor will be required to provide some review to the City to meet the requirements of that program. It is important that the auditor be familiar with the Comprehensive Annual Financial Report (CAFR) program.

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 five (5) years, unless the firm is notified in writing by the City 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 Pflugerville; PCDC; federal grant agencies and other federal agencies; State of Texas grant agencies and other State of Texas agencies; and auditors of entities of which the City is a subrecipient 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.

G. CONTRACT INCORPORATION AND INSURANCE

Proposers shall be aware that the contents of the successful proposal will become a part of any subsequent contractual document that may arise from the RFP. Failure of a proposer to accept this condition may result in proposal rejection.

Upon request, the successful vendor must **SUBMIT PROOF OF MEETING NECESSARY INSURANCE REQUIREMENTS** within ten (10) business days of award notification by the City of Pflugerville. Necessary insurance includes coverage for professional liability, worker’s compensation and/or general liability. Failure to respond within the ten (10) business days will be grounds for declaring vendor non-responsive to specifications.

III. DESCRIPTION OF THE GOVERNMENT - CITY

A. NAME AND TELPHONE NUMBER OF CONTACT PERSON

The auditor's principal contact with the City will be Ms. Lauren Vander Laan, Accountant, or a designated representative, who will coordinate the assistance to be provided by the City to the auditor. The telephone number for the City is 512-990-6100.

B. BACKGROUND INFORMATION

The City operates under the City Council/Manager form of government as established by its charter. There are 3 Assistant City Managers as well as various department heads.

The City serves an area of 22.7 square miles with an estimated population of 56,831.

The City's fiscal year begins on October 1 and ends on September 30.

The City provides the following services to its citizens: public safety, public works, parks and recreation, library, water and sewer utilities, and general administrative services.

The City had a total payroll of \$14,062,880 covering 333 employees at September 30, 2014.

The accounting and financial reporting functions of the City are centralized.

C. FUND STRUCTURE

The City used the following fund types in its financial reporting for the fiscal year ended September 30, 2014:

General Fund*
Special Revenue Fund
Debt Service Fund
Capital Projects Fund
Enterprise Utility Fund*

*Funds with legally adopted annual budgets.

D. BUDGETARY BASIS OF ACCOUNTING

All City of Pflugerville funds are kept on a modified accrual basis.

E. FEDERAL AND STATE FINANCIAL ASSISTANCE

During the fiscal year 2014-2015, the City of Pflugerville expects to receive funds from the following:

- 1. Department of Transportation \$172,500
- 2. Federal Vest Grant Program \$3,000
- 3. US Department of Housing & Urban Development \$230,000
- 4. Texas Water Development Board \$25,000

F. PENSION AND POST EMPLOYMENT BENEFITS:

The City participates in the following pension plan: Texas Municipal Retirement System.

The City has Other Post Employment Benefits (OPEB), in compliance with GASB 45, as related to offering retiree health and life insurance at retiree cost. The City contracts a biannual actuarial valuation to determine the associated liabilities.

G. COMPONENT UNITS

The financial reporting entity includes all the funds and account groups of the primary government. The City of Pflugerville has one component unit: the Pflugerville Community Development Corporation. The PCDC currently has a fiscal year the same as the City’s fiscal year and is audited independently from the City using the same auditor as the City.

H. MAGNITUDE OF FINANCE OPERATIONS

Ms. Amy M. Good, Finance Director, directs the Finance Department. The Finance department consists of eight (8) employees:

- | | |
|-----------------------|------------------------|
| Finance Director | Payroll Technician |
| Accountant (2) | Accounts Payable Clerk |
| Budget Analyst | Admin Tech |
| Purchasing Supervisor | |

The Utility Billing Operations Manager and three (3) Utility Billing Specialists are also centrally located with the Finance office.

I. COMPUTER SYSTEMS

The Finance Department uses personal computers that are networked with a server. The City uses the INCODE application by Tyler Technologies for financial, accounting and utility billing software.

J. AVAILABILITY OF PRIOR AUDIT REPORTS AND WORKING PAPERS

Prior year’s Comprehensive Annual Financial Reports are available on the City website: www.pflugervilletx.gov/finance. The City 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 proposals.

IV. DESCRIPTION OF THE GOVERNMENT – PCDC

A. NAME AND TELEPHONE NUMBER OF CONTACT PERSON

The auditor’s principal contact with the PCDC will be Mr. Floyd Akers, Executive Director, or a designated representative, who will coordinate the assistance to be provided by the PCDC to the auditor. The telephone number for the PCDC is 512-990-3725.

B. BACKGROUND INFORMATION

The PCDC is a Texas 4B economic development corporation established by the City of Pflugerville pursuant to the Development Corporation Act of 1979 and governed by the now Texas Local Government Code Chapters 501 and 505 of the Act. The PCDC is a constituted authority and instrumentality of the City of Pflugerville, and may act on behalf of the City of Pflugerville in furtherance of the public purpose as authorized by and for the specific purpose established by the City Council (See Texas Local Government Code 501.055).

The PCDC’s fiscal year begins on October 1 and ends on September 30.

The PCDC has 5 employees. Payroll is processed by the City. PCDC employees receive the same benefits provided to City employees (see section III ‘F – Pension and Post Employment Benefits’ of this document).

C. FUND STRUCTURE

The PCDC has a general fund which accounts for all the corporation’s functions and revenues.

D. BUDGETARY BASIS OF ACCOUNTING

The PCDC’s general fund is kept on a cash basis.

E. MAGNITUDE OF FINANCE OPERATIONS

Accounting services are currently outsourced.

F. COMPUTER SYSTEMS

The PCDC currently uses Quickbooks to maintain their financial and accounting records.

G. AVAILABILITY OF PRIOR AUDIT REPORTS AND WORKING PAPERS

Prior year's annual financial report is available on the PCDC website: <http://www.pfdevelopment.com/wp-content/uploads/2015/05/PCDC-Audit-FY2014.compressed.pdf>. The PCDC 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 proposals.

V. 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:

May 22	Final day questions and documentation requests will be accepted
May 29	Due date for proposals
June 23	Proposals reviewed by Finance and Budget Committee (FAB) and recommendation made to Council

B. NOTIFICATION AND CONTRACT DATES

June 24	Selected firm notified
June 30	Contract finalized

C. SCHEDULE FOR THE 2015 FISCAL YEAR AUDIT (A similar schedule will be developed for audits of future fiscal years if the City exercises its option for additional audits.)

1. Detailed Audit Plan

The auditor shall provide the City by September 15 a detailed audit plan and a list of all schedules to be prepared by the City.

2. Fieldwork

The auditor should begin fieldwork no earlier than November 10 and shall complete all fieldwork by December 15.

3. Draft Reports

The auditor shall have drafts of the audit reports and recommendations to management available for review by the Finance Director by January 31, 2016.

D. FINAL REPORT DUE DATES

The final reports are due on or before February 21, 2016.

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

A. FINANCE DEPARTMENT 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.

B. WORK AREA, TELEPHONES, INTERNET, PHOTOCOPYING, AND FAX MACHINES

The City will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to a telephone, the internet, photocopying facilities and a FAX machine.

C. REPORT PREPARATION

The auditor shall prepare draft financial statements, notes, required supplemental information and combining schedules by January 31, 2016 for City and PCDC review. The City will prepare the introductory section, Management's Discussion & Analysis and statistical section. Printing of the City's CAFR will be the responsibility of the City. Printing of the PCDC's annual financial statements will be the responsibility of the auditor.

City audit reports are to be addressed to the Honorable Mayor and the City Council, City of Pflugerville, Texas.

The PCDC audit reports are to be addressed to the Members of the Board of Directors of the Pflugerville Community Development Corporation.

An electronic copy of the audits are to be furnished to the City.

VII. PROPOSAL REQUIREMENTS

A. GENERAL REQUIREMENTS

1. Inquiries concerning the request for proposals should be made in writing to:

City of Pflugerville
Ms. Lauren Vander Laan
Accountant
laurenv@pflugervilletx.gov

P. O. Box 589
Pflugerville, TX 78691

2. The following material is required to be received by 4 p.m. on Friday, May 29, 2015, for a proposing firm to be considered.
 - a. Three (3) hard copies and one (1) electronic copy of the Technical Proposal to include the following:
 - i. Title Page – should state that the document is a proposal for auditing services; the firm’s name; the name, address and telephone number of a contact person and the date of the proposal.
 - ii. Table of Contents – including a clear identification of the material by section and by page number.
 - iii. Signed transmittal letter – (limit to two pages) 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 the best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for 90 days.
 - iv. Detailed Proposal – should follow the order set forth in Section VI.B. of this request for proposals.
 - b. The proposer shall submit a proposal of the cost of the audit in a separate sealed envelope marked as follows:

SEALED COST PROPOSAL
FOR
THE CITY OF PFLUGERVILLE
FOR
PROFESSIONAL AUDITING SERVICES
May 29, 2015

c. Proposers should send the completed proposal to the following address:

City of Pflugerville
Ms. Amy M. Good, Finance Director

Mailing Address:	Physical Address:
P. O. Box 589	100 East Main St., Ste. 100
Pflugerville, TX 78691	Pflugerville, TX 78660

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 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 firms and of the particular 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 COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The technical proposal should address all the points outlined in the request for proposals. 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, items 2 through 6 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 as defined by generally accepted auditing standards and the U. S. General Accounting Office's Government Auditing Standards (1994).

3. License to Practice in Texas

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

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 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 such person is licensed to practice as a Certified Public Accountant in Texas. The firm also should provide information on the government auditing experience of each person, including a summary of 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 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 would be assured.

Audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications and experience. The City must be notified, in writing, within a reasonable time frame, of this change and must include the relevant experience of the new personnel.

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. Please also include a contact name for each entity.

C. SEALED COST PROPOSAL

1. Total All-Inclusive Maximum Price

The sealed cost proposal should contain all pricing information relative to performing the audit engagements as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs.

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

The first page of the sealed cost proposal 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 Pflugerville
- c. A Total All-Inclusive Maximum Price for the audit of the City for the fiscal year ending September 30, 2015.
- d. A Total All-Inclusive Maximum Price for the audit of the PCDC for the fiscal year ending September 30, 2015.

2. Rates for Additional Professional Services

Should it become necessary for the City to request the auditor to render any additional services to either supplement the services requested in the request for proposals or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, such additional work shall be performed only if set forth in an addendum to the contract between the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed cost proposal.

3. Manner of Payment

If desired by the firm, interim payments will be made on the basis of hours of work completed during the course of the engagement incurred in accordance with the firm's cost proposal. Otherwise, payment will be made in full upon completion of the engagement.

VIII. EVALUATION PROCEDURES AND SELECTION PROCESS

A. PROPOSAL EVALUATION

Proposals will be evaluated to ascertain which proposal best meets the needs of the City. Interviews may be arranged to assist in making the final selection.

Evaluation considerations will include, but not be limited to, the following:

1. Prior experience of the firm and staff in the auditing of governmental agencies.
2. Demonstrated competence and qualifications of staff directly related to the audit.
3. Organizational size/structure of the firm.
4. Firm's understanding of the work to be performed; overall supervision of the audit.
5. Experience with the CAFR.

B. PROPOSAL SELECTION PROCESS

Proposals will be reviewed by the Finance and Budget Committee and the audit firm will be selected by the City Council.