

**REQUEST FOR PROPOSALS FOR ANNUAL AUDIT  
SERVICES**



**CITY OF NAVASOTA, TX**

**200 East McAlpine  
Navasota, TX 77868  
936-825-6475  
[www.NavasotaTX.gov](http://www.NavasotaTX.gov)**

**RFP NO. 16-05  
DUE DATE: WEDNESDAY MARCH 23, 2016  
02:00 PM CST**

# **CITY OF NAVASOTA REQUEST FOR AUDIT PROPOSALS**

## **I. GENERAL INFORMATION**

The City of Navasota (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, Navasota Economic Development Corporation (NEDC), for the fiscal year ending September 30, 2016, 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 Lance Hall, Finance Director, [lhall@navasotatx.gov](mailto:lhall@navasotatx.gov) or at P.O. Box 910, Navasota, TX 77868.

To be considered, Mrs. Susie Homeyer, City Secretary, 200 East McAlpine., Navasota, TX 77868 must receive three (3) hard copies and one (1) electronic copy of the proposal, by 2:00 p.m. on Wednesday, March 23th, 2016. 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 April 11, 2016. Following the notification of the selected firm, it is expected a contract will be executed between both parties by April 29, 2016

## **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 NEDC for the fiscal

year ending September 30, 2016, with an option to audit the City's financial statements and the NEDC'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 NEDC'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 herein. 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 NEDC, the auditor shall issue separate reports for the City and for the NEDC 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 implemented GASB 68 for the period ending September 30, 2015.

## **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 Navasota; NEDC; 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 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.

## **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 Navasota. 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 TELEPHONE NUMBER OF CONTACT PERSON**

The auditor's principal contact with the City will be Lance Hall, Finance Director, 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 936-825-6475.

#### **B. BACKGROUND INFORMATION**

The City of Navasota is located in Grimes County in the South Central Region of Texas. It was established in 1866 by the Texas Legislature and originally served as the main railroad terminus and agricultural shipping center for a three-county area. It covers 6.36 square miles and is the county's principal commercial center. It is 70 miles northwest of Houston at the intersection of State Highway 6, 90 and 105. The 1990 population was 6,296 and has a population today of 7700.

The City was incorporated in 1866 under the General Laws of the State of Texas and in 1947 the residents of the City adopted a Home Rule Charter. The City operates under a council-manager form of Government. By charter, the City Council appoints a city manager for an indefinite term, who acts as the chief administrative and executive officer of the city. His duties include among others, the enforcement of all laws of the state and ordinances of the City, the supervision of all city departments and the preparation and administration of an annual budget.

The most recent copy of the City's Annual Budget can be found at [www.navasotatx.gov](http://www.navasotatx.gov). The City's Comprehensive Annual Financial Report and Chart of Accounts is available upon request from the office of the Finance Director 200 East McAlpine Ave PO Box 910 Navasota TX 77868. (936) 825-6475

#### **C. FUND STRUCTURE**

The City used the following fund types in its financial reporting for the fiscal year ended September 30, 2016:

General Fund\*  
Water Fund\*  
Gas Fund\*  
Sewer Fund\*  
Street Fund\*  
Cemetery Fund\*  
Grant Fund\*  
Payroll Fund  
Hotel Motel Fund\*  
Debt Service Fund\*  
Capital Projects Fund\*  
EDC Fund \*

\*Funds with legally adopted annual budgets.

#### **D. BUDGETARY BASIS OF ACCOUNTING**

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

#### **E. FEDERAL AND STATE FINANCIAL ASSISTANCE**

During the fiscal year 2015-2016, the City of Navasota expects to receive funds from the following:

#### **F. PENSION AND POST EMPLOYMENT BENEFITS:**

The City participates in the following pension plan: Texas Municipal Retirement System. The City does not have Other Post-Employment Benefits (OPEB), in compliance with GASB 45, as related to offering retiree health and life insurance at retiree cost.

#### **G. COMPONENT UNITS**

The financial reporting entity includes all the funds and account groups of the primary government. The City of Navasota has one component unit: the Navasota Economic Development Corporation. The NEDC 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**

Lance Hall, Finance Director, directs the Finance Department. The Finance department consists of four (4) employees:  
Finance Director, Finance Asst., Utility Clerks (2)

#### **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.Navasotatx.gov](http://www.Navasotatx.gov). 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 – NEDC**

### **A. NAME AND TELEPHONE NUMBER OF CONTACT PERSON**

The auditor's principal contact with the NEDC will be Lance Hall, City Finance Director, or a designated representative, who will coordinate the assistance to be provided by the NEDC to the auditor. The telephone number for the NEDC is 512-990-3725.

### **B. BACKGROUND INFORMATION**

The NEDC is a Texas 4B economic development corporation established by the City of Navasota 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 NEDC is a constituted authority and instrumentality of the City of Navasota, and may act on behalf of the City of Navasota 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 NEDC's fiscal year begins on October 1 and ends on September 30.

### **C. FUND STRUCTURE**

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

### **D. BUDGETARY BASIS OF ACCOUNTING**

The NEDC's general fund is kept on a cash basis.

### **E. MAGNITUDE OF FINANCE OPERATIONS**

Accounting services are currently handled by city staff.

### **F. COMPUTER SYSTEMS**

The NEDC currently uses INCODE application by Tyler Technologies for financial reporting and accounting.

### **G. AVAILABILITY OF PRIOR AUDIT REPORTS AND WORKING PAPERS**

Prior year's Comprehensive Annual Financial Reports are available on the City website: [www.Navasotatx.gov](http://www.Navasotatx.gov). 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.

## **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:

March 16 Final day questions and documentation requests will be accepted

March 23 Due date for proposals

March 24-April 8 Proposals reviewed by Finance and Budget Committee (FAB)

April 11 recommendation made to Council

### **B. NOTIFICATION AND CONTRACT DATES**

April 12 Selected firm notified

May 1 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 will be allowed to begin preliminary fieldwork after June. The auditor should begin final fieldwork no earlier than November 1 and shall complete all fieldwork by December 31.

#### 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, 2017.

### **D. FINAL REPORT DUE DATES**

The final reports are due on or before February 13, 2017, with presentation at the Regular scheduled meeting on the fourth (4<sup>th</sup>) Monday of February.

## **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, 2017 for City and NEDC review. The auditor will prepare the introductory section, Management's Discussion & Analysis and statistical section. Printing of all the 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 Navasota, Texas.

Electronic copies 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 Navasota  
Lance Hall  
Finance Dir  
lhall@navasotatx.gov  
P. O. Box 910  
Navasota, TX 77868

2. The following material is required to be received by 2 p.m. on Friday, March 23, 2016, 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 NAVASOTA FOR PROFESSIONAL  
AUDITING SERVICES  
March 23, 2016

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

City of Navasota  
Susie Homeyer, City Secretary  
Mailing Address:  
P. O. Box 910  
Navasota, TX 77868

Physical Address:  
200 East McAlpine  
Navasota, TX 77868

## **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 Navasota
- c. A Total All-Inclusive Maximum Price for the audit of the City for the fiscal year ending September 30, 2016.
- d. A Total All-Inclusive Maximum Price for the audit of the NEDC for the fiscal year ending September 30, 2016.

### **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 Director and City Manager and the audit firm will be selected by the City Council.