



**Request for Qualifications
for
Independent Financial Audit Services**

August 10, 2016

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I. INTRODUCTION

A. Request for Qualifications (RFQ)

The City of Rockport, Texas, (the “City”) is soliciting Statements of Qualifications for services to audit its financial records and accounts and to prepare its comprehensive annual financial report (CAFR) based on the audit. Persons qualified to perform these services include certified public accountants who are licensed in the State of Texas and public accountants who hold permits to practice from the Texas State Board of Public Accountancy.

B. Term of Audit Engagement

The City of Rockport is soliciting proposals for the City’s annual audit requirements for the fiscal year ending September 30, 2016. After the first year, the City reserves the exclusive right to cancel the agreement for 2017. The City may request to extend this agreement for another four years through fiscal year September 30, 2020, following satisfactory delivery of the services specified in the proposal and engagement letter.

II. DESCRIPTION OF THE MUNICIPALITY

A. Background Information

The City of Rockport is a political subdivision of the State of Texas and is the county seat of Aransas County. Approximately 35 miles north of Corpus Christi, the City’s corporate limits currently encompass a land area of approximately 10.7 square miles. The City’s permanent population is approximately 9,800 but, as an art, boating, fishing, and nature tourism destination, seasonal and special event visitors can bring the total to over 30,000 on any given day.

The City’s 131 full-time employees provide building, development, drainage, environmental, fleet services, gas, parks, police, recreation, streets, wastewater, water, and general administrative services for the community. Incorporated in 1870, the City operates under the Council-Manager form of government.

B. Current City Officials

The City has four Council members elected from single-member wards and a Mayor elected at-large. Current elected officials are:

- Mayor – Charles J. (C.J.) Wax
- Mayor Pro-Tem & Council Member, Ward 3 – Patrick (Pat) Rios
- Council Member, Ward 1 – James Russell (Rusty) Day
- Council Member, Ward 2 – James David (J.D.) Villa

- Council Member, Ward 4 – Barbara Gurtner

City Council appoints the City Attorney, City Manager, City Secretary, and Municipal Court Judges. All other Department Heads and employees are appointed by and report to the City Manager. The executive staff includes:

- Chief of Police – Tim Jayroe
- City Attorney – Terry Baiamonte
- City Manager – Kevin Carruth
- City Secretary – Teresa Valdez
- Director of Finance – Patty Howard
- Director of Information Technology – Brian Jacobs
- Director of Parks and Leisure Services – Tom Staley
- Director of Public Works – Mike Donoho, Jr.
- Municipal Court Judge – Dianna McGinnis

C. Finance Department Personnel

The Director of Finance has over 18 years of private sector finance experience and five years of municipal finance experience. The Accounts Payable Clerk has more than 26 years of service in the position.

D. Principal Contact

The auditor's principal contact with the City will be Director of Finance Ms. Patty Howard, or a designated representative she appoints for a particular task, who will coordinate the assistance to be provided by the City to the auditor.

E. Budgetary Basis of Accounting

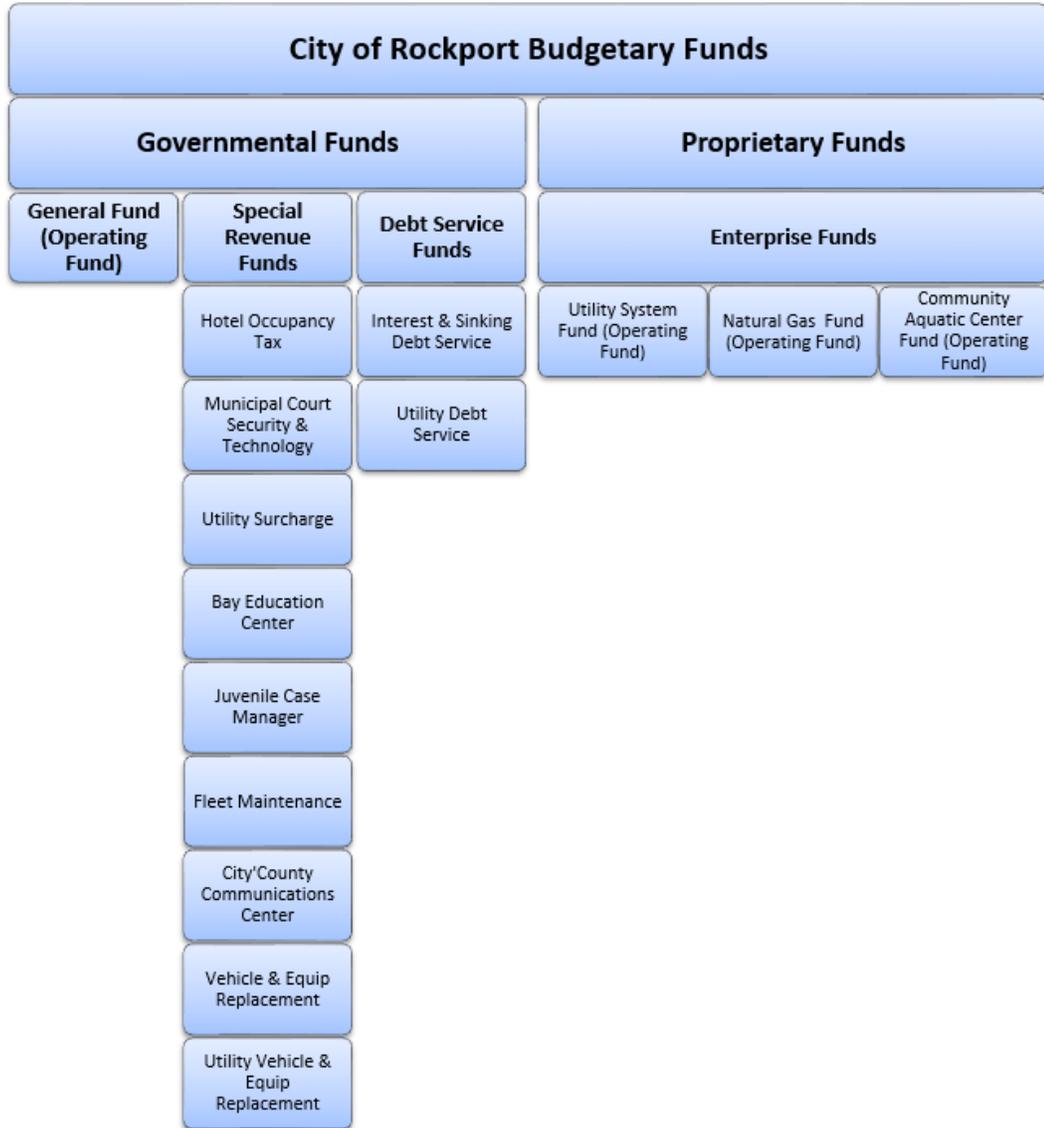
The City prepares its operating budget on an annual basis and is kept on a modified accrual basis. The budgets for all governmental funds are prepared and adopted on a basis consistent with generally accepted accounting principles. The budgets prepared and adopted for enterprise funds differ from generally accepted accounting principles primarily in that depreciation expense is not a budgeted item, while capital outlay is budgeted as an expense.

F. Financial Information

Total annual appropriations for all funds for Fiscal Year 2015-2016 is \$31.1 million. More detailed information, including current and prior annual budgets and comprehensive annual financial reports are available at the City's website (www.cityofrockport.com).

G. Fund Structure

As of August 8, 2016, the City’s fund structure is shown in the chart below.



H. Pension and Post-Employment Benefits

City employees participate in the Texas Municipal Retirement System. The City also began offering its employees an optional Internal Revenue Code Section 457(b) deferred compensation plan through ICMA Retirement Corporation beginning in August 2016.

The City has Other Post-Employment Benefits, 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.

I. Federal and State Financial Assistance

During the fiscal year to be audited, the City received funding from federal and state financial assistance programs. A Single Audit may be required if the appropriate grant expenditure thresholds are met. In recent years the City has been required to provide a Single Audit report each fiscal year.

J. Computer Systems

The City currently utilizes the INCODE software package from Tyler Technologies, Inc., for the following applications:

- General Ledger Accounting with budgetary integration and accounts payable,
- Cash Collections for Utility, Building Department, and Municipal Court,
- Fixed Assets,
- Payroll,
- Utility Billing, and
- Building Projects.

K. Internal Audit Function

The City does not currently have any internal audit functions.

III. SCOPE OF AUDIT SERVICES REQUIRED

A. Auditing Standards

The examination of the City's financial statements should be made in accordance with:

- Auditing standards generally accepted in the United States of America,
- Standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States,
- Provisions of the Federal Single Audit Act of 1984,
- Provisions of relevant Governmental Accounting Standards Board statements, and
- U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as applicable.

B. Reporting

The selected audit firm will be required to prepare the following reports addressed to the Honorable Mayor and the City Council and including statements that the audit was performed in accordance with generally accepted auditing standards:

- Independent Auditor's Report examining the City's general purpose financial statements and including an opinion as to whether the statements conform to generally accepted accounting principles and that the individual fund information is fairly presented in all material respects in relation to the general purpose external financial statements.
- Report of Compliance stating whether the examination disclosed instances of significant non-compliance with laws and regulations and presenting findings of any ineligible expenditures.
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, and
- All other reports required of the independent auditor examining the City's financial statements in accordance with the standards listed above.

C. Management Letter

The selected audit firm shall observe the adequacy of financial statements, internal accounting control, management information systems, legality of actions, and instances of non-compliance with laws and regulations of any other material matters. If weaknesses are noted, appropriate findings and recommendations should be reviewed with the City Manager and Director of Finance, with final inclusion in a separate letter to the City Council.

D. Provision of Advisory Guidance

The successful audit firm will be expected to provide advisory guidance to City staff during the course of audit work for accounting and other technical matters necessary to keep the City in compliance with any changes in governmental accounting and financial reporting standards.

E. Special Assistance in Award Recognition Program

Each year, the City submits a Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association of the United States and Canada (GFOA) for review in its Certificate of Achievement for Excellence in Financial Reporting Program. The City has applied for and received the Certificate of Excellence in Financial Reporting every year since FY 2002-2003 and will continue to apply in future years. The successful audit firm will be required to provide special assistance to meet the requirements of this program. Prior year GFOA review comments shall be addressed and incorporated into the current year report. GFOA comments relating to the current year CAFR shall be addressed

and resolved to the satisfaction of the GFOA. The City will give additional consideration to those firms that have actively participated in technically assisting clients previously awarded the certificate.

F. Requested Client-Prepared Schedules

The successful audit firm will be expected to submit a detailed list of requested client-prepared schedules to the City's Director of Finance at an agreed-upon date to facilitate efficient and timely completion for the fieldwork process. The Finance Department is staffed at only a maintenance level and must carry on its normal operations during the audit. Additional staff time may be necessary to prepare schedules for the audit and thus this time constraint should be taken into account in preparing the Statement of Qualifications.

G. CAFR Preparation

The audit firm will prepare the draft and final versions of the CAFR as follows:

- The introductory and statistical sections will be prepared by City staff with assistance from the auditor as necessary. Final review of introductory and statistical sections will be performed by the auditor.
- The financial section will be prepared by the auditor. The auditor will compile and prepare all financial statements and schedules. The notes to the basic financial statements will be a joint effort of the City and the auditor, and they will be prepared by the auditor.

Printing and binding of ten (10) copies of the CAFR will be the responsibility of the audit firm. The audit firm will also provide the City with a print-ready version of the CAFR in electronic Portable Document Format (PDF) to facilitate the printing of any additional copies and for posting the CAFR on the City's website.

H. 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 seven (7) years, unless the firm is notified in writing by the City of the need to extend the retention period. At the City's request, copies of any or all working papers prepared in conjunction with a respective audit engagement will be provided, on a timely basis, at no cost to the City. In addition, the audit firm shall respond to reasonable inquiries of successor auditors and allow them to review working papers relating to matters of continuing accounting significance.

IV. CITY OF ROCKPORT'S RESPONSIBILITIES DURING AUDIT

Responsible management personnel and City Finance Department staff will be available during the audit to assist the firm by providing information and explanations, specifically:

- The City’s finance department staff shall close all accounts within 90 days after fiscal year end and prepare, at the audit firm’s option, a trial balance and/or detailed general ledger transaction listing for all funds to be examined by the auditor.
- The City will provide the auditor with an onsite work area during regular work hours and access to a source of electricity, telephone, photocopier, and fax machine.
- The City will make available and accessible all documents, records, and systems requested by the independent auditors to conduct their examination.
- City staff will be available to provide documents and reports for examination, reproduce documents, prepare specific schedules, etc.
- The City will allow the auditor access to staff work areas for confidential discussions to take place.

V. CALENDAR OF EVENTS

A. Selection of Audit Firm

The proposed calendar of events for selection of an auditor is detailed in the table below. Dates are subject to change.

Date	Event
August 10, 2016	Advertise RFQ in <i>The Rockport Pilot</i> , post RFQ on City’s website, and distribute RFQ to prospective firms
August 13, 2016	Second Advertisement of RFQ in <i>The Rockport Pilot</i> .
August 31, 2016	Receive sealed Statements of Qualifications by 2:00 PM at City Manager’s Office at City Hall and publicly open at 2:00 PM in City Council Chambers
September 1, 2016	City staff begins review of RFQ responses
September 13, 2016	City Council selection of audit firm

B. Contemplated Schedule for Annual Audit

The desired schedule for completion of certain aspects of the audit for the first year of the engagement and each subsequent year are detailed in the table below. Dates for subsequent years shall be modified to accommodate weekends, holidays, or other considerations mutually agreed to by the City and firm. The dates given are the deadline for that event and nothing precludes the audit firm from completing the event earlier.

Date	Event
September 26, 2016	Commence interim audit work
October 14, 2016	Complete interim audit work
October 31, 2016	Detailed list of requested schedules to be prepared by City staff delivered to City
November 14, 2016	Begin field work
December 22, 2016	Complete field work
February 14, 2017	Final draft/review of CAFR by auditors
February 14, 2017	Submission of finalized compliance audit, CAFR, and management letter to City
February 23, 2017	Deliver bound copies and PDF copy of audit, CAFR, and management letter to City
February 28, 2017	Present audit opinion letter, audit report, and CAFR to City Council.

VI. INFORMATION REQUESTED FROM AUDIT FIRMS

Any firm interested in being considered for the independent financial audit services engagement is requested to submit, on the firm's letterhead, a Statement of Qualifications, which provides information on the points, indicated below. Responding firms should refer to Section VII (Submission of Statement of Qualifications) of this RFQ for additional response guidelines. To achieve a uniform review process and obtain the maximum degree of comparability, the Statement of Qualifications is to be organized according to the outline detailed in this section.

A. Title Page

Show the RFQ subject, the name of the proposing firm, local address, website address, telephone number, name of contact person, and date submitted.

B. Table of Contents

Include a clear identification of the material by section and by page number.

C. Letter of Transmittal

The letter of transmittal should include the following information:

- Briefly state the firm's understanding of the work to be performed and provide a clear commitment that work will be performed within the time periods specified in the RFQ,

- Provide the names of the persons who will be authorized to make representations for the firm, their titles, addresses, email addresses, and telephone numbers,
- State that the person signing the transmittal letter is authorized to bind the firm and enter into a contract, and
- The firm should provide affirmative statements that:
 - It is licensed to practice in the State of Texas
 - It is independent of the City of Rockport as defined by Government Auditing Standards issued by the Comptroller General of the United States. (Otherwise, identify and discuss any potential conflicts of interest of which the firm is aware.)

D. Profile of the Responding Firm

The profile should include the following elements:

- State whether the firm is local, regional, national, or international.
- State the location of the office from which work is to be performed and the number of partners, managers, supervisors, seniors, and other professional staff employed at that office.
- Describe the local office's capacity to audit computerized systems, including the number and classifications of personnel skilled in computer sciences who will work on the audit.
- List the firm's professional affiliations and the results of the latest peer review.

E. Summary of the Responding Firm's Qualifications

The summary of the audit firm's qualifications shall include:

- Describe the firm's most recent auditing experience similar to the type of audit being requested.
- Include a reference list of local government audit clients and the number of years served for each. Indicate who prepared each entity's CAFR and whether the entity has been awarded any GFOA Certificates of Achievement for Excellence in Financial Reporting.
- Identify the partner, audit manager, and supervisors who will work on the audit. Resumes including relevant governmental auditing experience and continuing education for each individual assigned to the audit should be included (resumes may be included as an appendix).
- Indicate the firm's experience in providing any additional services to local governments by listing the name of each entity, the type(s) of service performed, and the year(s) of engagement.

F. Approach to the Audit

The description of the firm's approach to the audit shall include the following components:

- A work plan to accomplish the scope of services required, including an explanation of the audit methodology to be followed. In developing the work plan, reference should be made to sources of information, such as the City's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.
- The planned use of any specialists should also be specified.
- Proposed segmentation of the engagement.
- Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- Sample sizes and the extent to which statistical sampling is to be used in the engagement.
- Extent of the use of electronic data processing software in the engagement.
- Type and extent of analytical procedures to be used in the engagement.
- Approach to be taken to gain and document an understanding of the City's internal control structure.
- Approach to be taken in determining laws and regulations that will be subject to audit test work.
- Approach to be taken in drawing audit samples for purposes of tests of compliance.
- State the purpose and degree of utilization of City of Rockport personnel.

VII. SUBMISSION OF STATEMENT OF QUALIFICATIONS

A. Instructions to Prospective Firms

The following instructions should be observed by firms responding to this RFQ:

- Please respond specifically to all information requested in this RFQ or indicate why a particular response is not given.
- Please limit responses to relevant material. Any additional data may be included in the Statement of Qualifications at the proposer's discretion. Additional information must be submitted in the form of an appendix or bound separately.
- Identify the RFQ item being addressed in the introduction to each response.
- Respondents or their representatives are prohibited from communicating with City of Rockport officials (including City Council members) and employees (other than the Principal Contact) regarding the RFQ from the time it is released until it has been acted upon by the City Council. Violation of this provision by respondents or their agents will lead to

disqualification of the respective Statement of Qualifications from consideration.

- If there are any clarification questions regarding the scope of work and/or any other requirements of this RFQ, respondents or their representatives should submit them in writing and forward them via email to Ms. Patty Howard, Director of Finance, at finance@cityofrockport.com. All responses by the City will be provided in the form of an addendum and will be posted on the City's website at www.cityofrockport.com. It is the responsibility of responding firms to ensure that the addendum has been reviewed and addressed in their Statements of Qualifications.
- The City of Rockport is subject to the Texas Open Records Act; however, certain types of information may be exempt from disclosure under the Act. Firms submitting information, which they deem confidential or proprietary, must clearly mark and identify such information page by page. The City, to the extent allowed by applicable law, will protect such information from disclosure. The final decision as to what information must be disclosed under the Open Records Act lies with the Texas Attorney General.

B. Filing Requirements

The City of Rockport requests three bound copies of the Statement of Qualifications, along with one CD or flash drive with a PDF version suitable for reproduction. All Statements of Qualifications should be sealed in an envelope and clearly marked "Statement of Qualifications for Independent Financial Audit Services" on the outside of the envelope or on any carrier's envelope.

Sealed Statements of Qualifications are to be mailed, sent by overnight courier, or hand-delivered to the attention of:

Ms. Teresa Valdez, City Secretary
City of Rockport
622 E. Market Street
Rockport, TX 78382

The City of Rockport will accept sealed Statements of Qualifications for independent financial audit services until 2:00 p.m. on Wednesday, August 31, 2016. **Statements of Qualifications received after this time will not be considered.**

The City of Rockport will not be responsible in the event that the U.S. Postal Service or any other courier system fails to deliver the sealed Statements of Qualifications to the City by the deadline specified above. **Electronic transmission or facsimile of the Statement of Qualifications will not be accepted.**

VIII. EVALUATION CRITERIA

City staff's recommendation to the City Council will be based on the Statement of Qualifications determined to offer the best value to the City and its taxpayers. The evaluation of the Statement of Qualifications will be made based on, but not limited to, the following criteria, in no particular order of priority or rating, in addition to the scoring listed in Section VI (Information Requested from Audit Firms) of this document. These factors will be applied to all eligible, responsive firms in comparing the Statements of Qualifications received and in selecting the audit firm.

The City of Rockport reserves the right to require oral presentations by any or all firms. A contract award may be made without oral presentations and/or discussions with firms after RFQ responses are received by the City. Therefore, RFQ responses should be submitted on the most favorable terms.

All costs directly or indirectly related to preparation of a response or oral presentation, if any, required to supplement and/or clarify an item in the RFQ shall be the sole responsibility of, and shall be borne by, the responding firm.

The City will use the following criteria in selecting the best-qualified firm:

- Knowledge of generally accepted accounting principles, auditing standards, financial policies, and procedures applicable to governmental entities.
- Prior experience in auditing financial statements of similar sized or larger municipal governments in Texas.
- Proposing firm's approach to the examination and the work plan for accomplishing the scope of services required in the RFQ.
- Proposing firm's anticipated hours, time lines, and sequence for audit procedures and anticipated total billing charges to complete the FY 2015-2016 audit engagement, and a statement of how these amounts would change for the subsequent years.
- Availability of trained personnel and technical resources required for conducting the audit and for providing consultation on accounting and other technical matters as needed to keep the City current on any changes in governmental accounting and financial reporting standards.
- A demonstrated ability to provide assistance in obtaining the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

IX. RIGHTS RESERVED BY THE CITY OF ROCKPORT

The City of Rockport reserves the right to:

- Accept, reject, re-solicit, and/or extend the RFQ by up to two additional weeks from the original submission date if only one or no Statement of Qualifications is received by the submission deadline.
- Hold Statements of Qualifications for 90 days from the submission date without action.
- Extend the original 90-day holding period prior to the award if agreed upon in writing by both parties.
- Request additional information or to meet with representatives from responding firms to discuss items in the Statement of Qualifications before and after submission, any or all of which may be used in forming a recommendation.
- Disregard and reject the entire Statement of Qualifications for any alterations, changes, or deletions made to this RFQ by the proposer.
- Reject any or all Statements of Qualifications received and to accept the Statement of Qualifications the City considers being in its best interest based upon the requirements and descriptions outlined in the RFQ.
- Retain all Statements of Qualifications submitted and to use any ideas in a Statement of Qualifications regardless of whether that Statement is selected.
- Terminate all or any part of the unfinished portion of the work resulting from this solicitation within 30 days written notice whether due to default, delay, or non-performance by the firm or, if it is deemed in the best interest of the City for convenience.

IX. WARRANTIES

The following warranties are required:

- The successful firm warrants that it will not delegate or subcontract its responsibilities under the audit engagement without the express prior written consent of the City.
- The successful firm warrants that it will not replace or substitute key audit personnel without the City's knowledge and consent.
- The successful firm warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for willful or negligent acts or the omissions of any officers or employees.
- The submission of a Statement of Qualifications shall be prima facie evidence that the proposing firm has full knowledge of the scope, nature, quantity, and quality of the work to be performed, the detailed requirements of the specifications, and the conditions under which the work is to be performed.

IX. DOLLAR COST OF THE AUDIT SERVICES TO BE PROVIDED

Once the City has ranked all validly submitted Statements of Qualifications and selected a firm based on demonstrated competence and qualifications, the City will then consider the firm with a fair and reasonable price for its services. Cost will not be the primary factor in the selection of an audit firm. The proposing firm will be expected to provide the following items for consideration:

- The dollar cost is to provide the maximum not-to-exceed fee. The total hours and hourly rate required to complete the requested work by staff classification are to be stated. The resulting all-inclusive maximum not-to-exceed fee amount is to contain all direct and indirect costs, including all out-of-pocket expenses.
- The cost to perform the Single Audit (if applicable) is to be shown separately from the cost to audit the basic financial statements and required supplementary information. In addition, the expected rates for any additional services for which the City might desire to utilize the expertise of the auditor on additional projects outside the scope of this financial audit engagement are to be provided.
- The expected manner and terms of payment for the proposed engagement are to be provided.