



City of Sonora

REQUEST FOR PROPOSAL FOR AUDIT SERVICES

Proposal Release Date

June 1, 2024

Proposal Submittal Due Date

June 30, 2024

City of Sonora, California
Request for Proposal for Audit Services

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PART 1 – AUDIT SPECIFICATIONS

I. INTRODUCTION

The City of Sonora (“the City”) is requesting proposals from qualified firms of certified public accountants (“the Firm”) for a three-year contract to audit its financial statements for the fiscal years ending June 30 for each of the following years: 2024, 2025, and 2026. The Firm will be asked to audit the City’s Annual Comprehensive Financial Report (“the ACFR”) and complete a Single Audit report if expenditure criteria are met. At the option of the City, the audit engagement may be extended for two subsequent fiscal years by written amendment. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial and compliance audits in the U.S. General Accounting Office’s (GAO) *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, the provisions of the Single Audit Act of 1984, as amended, U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*, and Governmental Accounting Standards Board (GASB) Pronouncements.

During the evaluation process, the City reserves the right, where it may serve the City’s best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. Submission of a proposal indicates acceptance of the conditions contained in the request for proposal (RFP), unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the Firm selected.

To be considered, one (1) original and three (3) hard copies of the proposal along with one (1) electronic copy emailed to the contact below must be received at Sonora City Hall, 94 N. Washington Street, Sonora, CA 95370 **no later than 3:00 p.m. June 30, 2024**. It is anticipated that the selected Firm will be notified no later than the week of July 12, 2024.

A copy of this request for proposal and the City’s most recent ACFR can be found on the City’s website at www.sonoraca.com. All inquiries relating to the request for proposal should be submitted to:

Chris Gorsky, Administrative Services Director
City of Sonora
Sonora, CA 95370
(209)532-4541
<mailto:cgorsky@sonoraca.com>

II. DESCRIPTION OF CITY

Sonora, one of the oldest cities in California, was incorporated on May 1, 1851. Only ten cities have been incorporated longer. Sonora was historically referred to as the 'Queen of the Southern Mines.' The City is the only incorporated city within Tuolumne County and the county seat, and is home to 5132 residents, as estimated by the State of California Department of Finance for 2024.

The City operates under a Council - City Administrator form of government. It is governed by an elected five-member council with council members serving staggered four-year terms. Major operations of the City government include: public safety, highways and streets, public works, community development, public improvements, planning and zoning, and general administrative services.

The estimated budget for fiscal year 2023-24 is \$15.4 million, of which \$11.6 million represents the general fund budget. For the last 4 years, the City's financial statements have been audited by Gallagher Gatewood, a professional accountancy corporation, receiving unqualified opinions in each of those years.

MIP Fund Accounting financial software is used by the city for the following: general ledger, budget, accounts payable, payroll, cash receipts, business licensing, and general accounts receivable. The City's fund structure includes:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Enterprise Funds
- Fiduciary Fund

III. SCOPE OF WORK TO BE PERFORMED

Services to be Performed by Auditors:

- I. In general, the auditors will perform a financial and compliance audit to determine:
 - A. whether the combined financial statements of the City fairly present the financial position and the results of financial operations in accordance with generally accepted accounting principles.
 - B. whether the City has complied with laws and regulations that may have a material effect upon the statements.

- II. The auditors will examine the City’s internal accounting controls and accounting procedures and render written reports of their findings to the City Administrator. The examination shall be made, and the reports rendered in accordance with generally accepted auditing standards. In addition, the auditors shall communicate to the City Administrator any reportable conditions found during the audit that can be defined as either a significant or material weakness in the design or operation of the control structure, which could adversely affect the organization’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.
 - A. 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 an appropriate level of management.
 - B. Auditors shall include all funds of the City in the audit scope.

- III. Under the requirements of the Federal Government’s program covering a single audit for all federal grant funds, auditors shall conduct an audit in accordance with the Single Audit Act of 1984 (as amended), generally accepted auditing standards, and generally accepted governmental auditing standards.

- IV. Auditors shall draft ACFR in accordance with all regulatory standards and submit to the City for final approval prior to final issuance of statements with final audit report.
 - A. Auditors shall compile supplemental schedules similar to those included for the subsequent three years ACFR’s and include these in the draft ACFR presented to management for review.
 - B. Auditors shall submit a management letter setting forth their findings and/or recommendations on those matters noted and observed during the conduct of the examination of the financial records and developed within the scope usually associated with such an examination relating to, but not limited to:
 - 1. improvements in systems of internal control
 - 2. improvements in accounting system
 - 3. apparent noncompliance with laws, rules, and regulations
 - 4. any other material matter coming to the attention of the Firm during the conduct of the examination.

Timeline Requirements

- V. Auditors shall schedule with the Administrative Services Director the audit for each of the three years covered by this request for proposal, and additional years for which the term may be extended, if any.

- A. All City books must be closed and ready for audit by a mutually agreed upon start date. City staff shall prepare detailed lead sheets and account reconciliations for the auditors.
- B. Field work shall be completed no later than October 31 of each audit year, and a draft ACFR, presented according to the timetable listed under “Specific Deliverables to the City of Sonora” shall be prepared and delivered to the Administrative Services Director.

Reporting and Communication

- VI. The following meetings should be held with the Administrative Services Director and key Finance department staff during the audit in order to discuss the status of the audit, any preliminary results of fieldwork, and needs from City Staff for the completion of the audit:
 - A. Entrance Conference – Prior to start of fieldwork.
 - B. Progress Conference – Midway through audit fieldwork.
 - C. Exit Conference – At conclusion of each year-end audit fieldwork.

- VII. Preliminary audit findings and resulting management recommendations should be discussed with the Administrative Services Director as they are discovered.
 - A. The auditors will prepare and provide a draft ACFR to the Administrative Services Director for review prior to issuance of a final draft.
 - B. The auditors will meet with the Administrative Services Director to discuss all audit reports to be addressed to the City Council before final issuance of these reports.
 - C. An audit/partner will present the annual audit reports to the City Council each year at one of the regularly scheduled meetings of the Council.
 - D. Preparation, editing, and delivery of each year’s ACFR and other reports listed as specific deliveries within this request for proposal will be the responsibility of the auditors.

Other Considerations

- VIII. All working papers and reports must be retained, at the auditor’s expense, for a minimum of the term of any awarded engagement plus three (3) years, unless the audit firm is notified in writing by the City of the need to extend the retention period.
 - A. The auditors will be required to make working papers available upon request of parties required by regulation, authorized by the City or pursuant to provisions set forth in the Single Audit Act of 1984, as amended from time to time. In addition, the firm shall respond in a timely manner to reasonable

inquiries of successor auditors and allow review of working papers relating to matters of continuing accounting significance.

- B. The auditors may be consulted as an information resource from time to time throughout the term of any awarded agreement. Auditors may be asked for guidance on implementation of GASB requirements and specifics of federal and state regulations as they may affect local government accounting. In addition, the auditors may be asked to assist with the implementation of any new pronouncements or statements from regulatory agencies.
- C. Throughout the year, the auditor will provide financial advice and counsel on matters occurring that would have an effect on subsequent ACFRs and audit reports, as requested.
- D. An audit partner/manager may be required to attend a City Council meeting to explain or clarify financial statements or accounting requirements not specifically related to the issuance of final audit reports for any given year, if requested.

Specific Deliverables to the City of Sonora

Reports	Due Date	Quantity
Draft ACFR Document	Annually no later than November 30th	1 Electronic
Final ACFR Document	Annually no later than December 15th	1 Electronic 1 Bound
Single Audit Report	Annually no later than December 15th	1 Electronic 1 Bound
Management Report	Annually no later than December 15th	1 Electronic 1 Bound

City Responsibilities

- IX. Management’s Responsibility for Financial Statements.
 - A. Management is responsible for the fair presentation of the City’s financial statements in accordance with generally accepted accounting principles for cities and understands its responsibility in providing an internal control system that is sufficient for ensuring that material misstatements do not occur.

- B. The Administrative Services Director will provide a representation letter to the auditors annually to confirm these responsibilities and report any events or transactions that would materially affect the final audit report in any given year.

City Support of Audit Fieldwork

- X. City staff will close the books in a timely manner, including preparation of a working trial balance, reconciliations of accounts, subsidiary ledgers, and other schedules, and deliver these to the auditors for audit fieldwork and the drafting of the ACFR.
- XI. The City will provide the auditors with reasonable workspace during the audit fieldwork, including the use of desks/chairs, telephones, facsimile machines, and photocopying machines.
 - A. City staff will produce confirmation letters that are mailed by the auditors.
 - B. At the City's option, City staff may prepare a Management, Discussion, and Analysis section and new schedules for the supplemental section of the ACFR to be included with the annual report in any given year.
 - C. City staff shall review and approve draft reports and provide feedback to the auditors in a timely manner.
 - D. City shall reasonably support auditors in the completion of the requirements of an awarded agreement for services.

BASIS FOR COMPENSATION

- XII. The City will pay auditors for services described in Part 1, Section III (Scope of Work to be Performed) that do not exceed the maximum amount contained within a signed agreement between the City and the Firm.
 - A. For additional services outside of those contemplated in this request for proposal, written approval by the City shall be required in advance of such services being rendered. The fee for such additional services shall be based on the auditor's quoted hourly rates as specified in their proposal and the subsequent agreement between the City and the Firm.
 - B. Firms may propose installment payments based upon reasonable phasing of an audit; however, a minimum of 10% must be retained until all deliverables are received by the City in any given audit year.
 - C. Billing statements and invoices presented to the City for payment must have terms of a minimum of fifteen (15) working days until payment is due.

ADDITIONAL PROVISIONS

- XIII. Upon notice of intent to award contract, the successful firm shall enter into a Consulting Services Agreement with the City.
 - A. No officer, agent, or employee of the City and no member of its governing bodies shall have any financial interest, direct or indirect, in an agreement which is a result of this request for proposal or the proceeds thereof. No officer, agent, or employee of the auditors shall serve on a City committee or hold any such position which is incompatible with such person's duties or obligations or other relationship to this agreement.
 - B. Time is of the essence in each and all provisions of this agreement.

SPECIAL TERMS AND CONDITIONS

- XIV. The City is not liable for any pre-contractual expenses incurred by any bidder. In addition, no bidder shall include any such expenses as part of the price proposed to conduct the operation.
- XV. The City reserves the right to withdraw the RFP at any time without prior notice. Further, the City makes no representations that any agreement will be awarded to any bidder responding to this RFP. The City expressly reserves the right to postpone action regarding this RFP for its own convenience and to reject any and all proposals in response to this RFP without indicating a reason for the rejection.
- XVI. The City is not responsible for oral statements made by any of its employees or agents concerning this RFP. If the bidder requires specific information, the bidder must make the request in writing as instructed in the RFP.
- XVII. All responses to the RFP shall become the property of the City and a matter of public record. Responders must identify all copyrighted material, trade secrets, or other proprietary information that the responder claims are exempt from disclosure by the California Public Records Act. In the event a responder claims such an exemption, the responder must include the following language in the response:

“The ‘Firm Name’ indemnifies the City of Sonora and holds it harmless from any claim or liability and will defend any action brought against the City of Sonora for its refusal to disclose copyrighted material, trade secrets, or other proprietary information to any person making a request thereof.”

- XVIII. Failure to include such a statement shall constitute waiver of the responder's right to exemption from disclosure and authority for the City to provide a copy of the proposal or any part thereof to the requestor.
- C. The individual(s) preparing and submitting the proposal must state they possess the authority to bind the firm to the terms of the RFP.
- D. All questions regarding this RFP should be made in writing and emailed to cgorsky@sonoraca.com.

PART 2 – PROPOSAL REQUIREMENTS AND INFORMATION

IV. PROPOSAL PROCESS AND CALENDAR

DISTRIBUTION OF PROPOSALS

- I. Request for Proposals shall be available on the City of Sonora website, www.sonoraca.com on June 1, 2024.
- II. Proposal Submission:
 - A. Proposals in response to this request must be received no later than 3:00 p.m. June 28, 2024. Proposals submitted via facsimile will not be accepted. A total of one (1) original, three (3) copies, and one (1) electronic copy emailed must be submitted to the following:
 - City of Sonora
 - Chris Gorsky, Administrative Services Director
 - 94 N. Washington Street
 - Sonora, CA 95370
 - cgorsky@sonoraca.com
 - B. Proposals must be sealed and show the following information on the package in the lower left corner: audit firm's name, address, and RFP Title. Late or incomplete proposals will not be considered.
- III. Proposal Review and Notification:
 - A. The Administrative Services Director and a selection panel will review and evaluate each proposal submitted. It is anticipated that the proposal review process will be completed the week of July 8, 2024. Written notice will be sent only to those firms that were selected for interview.

IV. Interviews:

- A. The City will schedule interviews with the finalists by the week of July 8, 2024. Firms selected for interview may be requested to prepare a short presentation for the panel, if considered appropriate, and will be notified of this requirement at the time the interview is scheduled. Interviews may be conducted in person or via Microsoft Teams meeting.

V. Final Selection and Notification:

- A. The City anticipates sending written notification of status to the finalists by the week of July 8, 2024.

VI. Important Dates to Remember

June 1, 2024		RFP Available
June 28, 2024 3:00 p.m.		Deadline for Proposal Submittal
Week of July 8, 2024 (tentative)		Interviews with Finalists
July 12, 2024		Selection Notification
July 15, 2024		Report to City Council
After August 15, 2024		Commencement of Fieldwork

PROPOSAL REQUIREMENTS

VII. Independence

- A. The audit firm should provide an affirmative statement that it is independent of the City of Sonora or any key personnel of the City as defined by generally accepted auditing standards.
- B. The Firm must have no conflict of interest with regard to any other work performed for the City. It is understood that the services performed by the auditors are in the capacity of independent contractors and not as an officer, agent, or employee of the City of Sonora.

VIII. **License to Practice in California**

- A. The audit firm should provide an affirmative statement indicating that the firm and all assigned key professional staff are properly licensed to practice in California.

IX. **Firm Qualification and Experience:**

- A. The proposal should state the size of the firm, the size of the firm's governmental staff, the location of the office from which the work on this engagement is to be performed, and the number and nature of staff to be employed on a part-time basis.
- B. Please indicate whether any members of the audit team assigned to the City are reviewers in the California Society of Municipal Administrative Services Directors Certificate of Achievement for Excellence in Financial Reporting Program.
- C. The audit firm shall submit a copy of the report on its most recent external quality control review, with a statement of whether that quality control review included a review of specific government engagements.
- D. The firm shall 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 audit 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.
- E. For the audit firm's office 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 proposal. These engagements should be ranked on the basis of total staff hours. The audit firm shall state experience with clients who are in compliance with GASB 34. Indicate the scope of work, date, engagement partners, total hours, and the name and phone number of the principal client contact.

X. **Partner, Supervisory, and Staff Qualifications**

- A. The audit firm shall 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 persons are licensed to practice as a Certified Public Accountant in California. The audit firm should also provide information on the governmental audit experience of each person and information on

continuing professional education and membership(s) in professional organizations for the past three (3) years that is relevant to the performance of this audit.

- B. The audit firm should provide as much information as possible, including resumes, regarding the number, qualifications, experience, and training of specific staff to be assigned to this agreement.
 - C. The audit firm should also indicate how the quality of staff over the term of the agreement will be assured.
 - D. Engagement partners, managers, other supervisory staff, and specialists may be changed if those people 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. However, in either case, the City reserves the right to approve or reject replacements. This shall also apply to consultants and firm specialists mentioned in response to this request for proposal.
 - E. Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.
- XI. Specific Audit Approach
- A. The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Part 1 of this proposal.
- XII. Identification of Anticipated Potential Audit Problems:
- A. The proposal should identify and describe any anticipated potential audit problems and the adoption of new laws or accounting principles that might affect the audit and the Firm's approach to addressing these problems and any special assistance that will be requested from the City.
- XIII. Total All-Inclusive Price:
- A. The proposal should contain all pricing information relative to performing the audit engagements as described in this request for proposal. The price should provide a breakout between the price associated with a routine audit of the City only without a single-audit requirement, and the additional price that would be charged if a single audit is required in any year. The total all-inclusive maximum price to be proposed is to contain all direct and indirect costs including all out-of-pocket expenses.

- XIV. Breakdown of Rates and Anticipated Hours by Staff Level to Support All-Inclusive Price:
- A. The proposal should include a schedule of professional fees and expenses for each professional level of employee, with the anticipated hours that each level is anticipated to expend on the city audit and the single audit (if required in any given year), respectively.
- XV. Rate Schedule for Additional Work Not Anticipated by Request for Proposal:
- A. The proposal should contain a rate schedule by staff level for charging the City for additional services not anticipated in this request for proposal.
 - B. For the purposes of this schedule, all activities associated with annual audits, proposed reporting requirements, and other support indicated in Part 1 should be included in the all-inclusive price above. Only services that are a significant and material departure from those normally provided to cities in the conduct of an audit or those that apply to a material change of scope in City operations shall be considered for additional charges.
 - C. Additional charges must be approved in writing by the Firm prior to the additional services being rendered.
- XVI. Ownership of City-Related Documents
- A. All property rights, including publication rights of all reports produced by the proposer in connection with service performed under this agreement shall be vested in the City of Sonora.
 - B. The proposer selected shall not publish or release any of the results of its examination without the express written permission of the City Administrator.
- XVII. Acceptance of Proposal Contents
- A. After an audit firm is selected by the City, the contents of the submitted proposal shall become a contractual obligation.
 - B. The successful proposer will be required to execute a standard consulting agreement with the City.
 - C. Failure of the audit firm to agree to include the proposal as part of the contractual agreement may result in cancellation of award.
 - D. The City reserves the right to reject those parts that do not meet with the approval of the City.

- XVIII. Acceptance or Rejection and Negotiation of Proposals:
- A. The City reserves the right to reject any or all proposals, to waive non-material irregularities or information in the request for proposal, and to accept or reject any item or combination of items.
 - B. By requesting proposals, the City is in no way obligated to award a contract or to pay expenses of the proposing firms in connection with the preparation or submission of a proposal.
 - 1. Furthermore, the City reserves the right to reject any and all proposals prior to the execution of the contract(s), with no penalty to the City of Sonora.
 - C. In addition, if the City elects to reject all of the proposals, it reserves the right to select one at random to negotiate a contract for services.
 - D. All requests for proposals received by the City will remain open, valid, and subject to acceptance for a period of six months.

EVALUATION PROCESS

- XIX. The proposals for the City's audit will be evaluated by a panel selected by the Administrative Services Director.
- A. Proposers may be required to make oral presentations as a supplement to their proposals. These presentations would only be held subsequent to the receipt of the proposals and will be part of the evaluation process to determine qualifications of the audit firm.
 - B. The City will schedule a time and location in the City of Sonora for each oral presentation it requests. Should a proposer refuse to honor the request for an oral presentation or interview, it may result in the rejection of the proposal by the City.
- XX. Evaluation considerations will include the following:
- A. Responsiveness of the proposal in clearly stating the understanding of the work to be performed and in demonstrating the intention and ability to perform the work.
 - B. Cost. Although a significant factor, cost will only be one component in the selection of an audit firm.
 - C. Auditors' experience in conducting audits of cities of similar nature, size, and complexity, and the auditors' commitment to maintaining technical expertise in the municipal financial environment.
 - D. Technical experience and professional qualifications of the audit team. The number of key and supervisory personnel who will directly participate in the audit will be a consideration.

- E. Size and structure of the Firm's office from which the audit work is to be done.
 - 1. The City is looking for a highly qualified team that is able to meet the due dates specified in this document, and recommends that the same team (wherever possible) complete any successive year's engagements.
- F. Audit Firm's demonstrated experience in complying with applicable federal and state labor laws as it relates to its own staff.

XXI. FORMAT AND CONTENT OF PROPOSAL

- A. Title Page: The title page should include the date and subject line of the request for proposal as well as contact information for the Firm including Firm name, contact person, physical/ mailing address, and telephone number(s).
- B. Table of Contents: Include a clear identification of the material by section and by page number.
- C. Letter of Transmittal:
 - 1. Please provide a summary description of your proposal, along with details of your firm that you would like the City to know.
 - 2. The City will review this section to determine if your Firm has experience with the type and breadth of responsibilities included in this RFP.
 - 3. Clear statements of all of the services that the Firm provides and the areas in which it provides them (i.e., local, regional statewide, etc.), as well as your specific experience with other cities, will be of specific interest.
 - 4. Also include in this section any qualifications, specialties, awards, or recognition your firm or members of your firm have received that sets your Firm apart.

XXII. Audit Team:

- A. Describe the composition of the audit team and indicate the base office from which they work. Include resumes of all staff, supervisory and above, which the Firm is proposing as the responsible team for this proposal.
- B. Describe the commitment from the Firm to maintain a stable audit team, with minimal replacements, through the audits included as part of the proposal.

XXIII. Audit Scope and Provisions:

- A. Describe the scope of the required services to be provided, the Firm's specific audit approach, and the Firm's plan for how such services will be provided.
- B. Please include details of work, staffing, and time estimates.
- C. Proposers should list all reports, including management letters, that are to be issued, the points to be addressed in the reports, and the annual estimated completion dates.

XXIV. Cost Data:

- A. The Firm should include its cost proposal in this section, including the all-inclusive price for services set forth in this request for proposal and the hourly rate schedule proposed for additional work outside the scope of this request for proposal.
- B. All-inclusive price must include all anticipated costs including travel, per diem, and out-of-pocket expenses.
- C. Include any proposals for installment payments based upon the reasonable completion of phases of the audit, if any.

XXV. References

- A. Please include references for clients which the Firm currently audits that are similar to the type of engagement specified in this request for proposal.
- B. Include the number of years each of these clients had been audited by the Firm.
- C. Include the name and contact information of the Firm's principal contact at the client who can speak to the quality of services performed by the Firm.

XXVI. Additional Data:

- A. Include other information required by this RFP in this section.
- B. Include any other materials the Firm feels the City should take into consideration when reviewing the proposal.