

**CITY OF FOSTER CITY/
ESTERO MUNICIPAL IMPROVEMENT DISTRICT**



**REQUEST FOR PROPOSALS
FINANCIAL AUDITING SERVICES**

**FINANCIAL SERVICES DEPARTMENT
610 FOSTER CITY BLVD.
FOSTER CITY, CA 94404**

DATE RELEASED: JANUARY 12, 2023

PROPOSAL DUE DATE: FEBRUARY 6, 2023 5:00 PM

I. INTRODUCTION

The City of Foster City was incorporated on April 27, 1971. It is a general law City that operates under the Council-City Manager form of government. The City has a population of 33,056 and provides a full range of municipal services which include the following departments: City Manager, City Clerk and Communications, Police, Community Development Services, Public Works, Parks and Recreation, Financial Services and Human Resources. The City receives fire suppression, prevention, and advanced life support programs/services through its member agency status with the San Mateo Consolidated Fire Department, a Joint Powers Authority between Foster City, the Belmont Fire Protection District, and the City of San Mateo. The City employs approximately 172 full-time equivalent positions. The Total Budget for FY 2022-2023 is just over \$159 million for all funds, which includes a General Fund budget of approximately \$54 million.

The City Council also serves as the Board of Directors for the Estero Municipal Improvement District (the District). The District, although a separate legal entity, encompasses the same geographical area, is inhabited by the same citizens and governed by the same bodies and procedures as the City.

II. FUND STRUCTURE

The City of Foster City currently uses the following fund types in its financial reporting. Several of the funds shown in the Annual Comprehensive Financial Report (ACFR) are a combination of multiple City funds. The number and type of funds are subject to change based on the needs of the City. Any such change shall not result in change in the audit fee.

Fund Type	Number of Individual Funds
General Fund	11
Special Revenue Funds	25
Capital Projects Funds	2
Debt Service Funds	1
Enterprise Funds *	12
Internal Service Funds	8
Fiduciary Funds	2

* The City operates two enterprises – wastewater treatment and water service

General ledger accounting is performed on the Central Square (previously known as SUNGARD) NaviLine financial system software suite.

III. PURPOSE

The City of Foster City is requesting proposals from qualified certified public accounting firms to audit the financial statements of the City of Foster City/Estero Municipal Improvement District for the fiscal years ending June 30, 2023, 2024 and 2025 with an option to extend the audit contract for an additional two fiscal years ending June 30, 2026 and 2027 at the discretion of the City.

The audit is to be performed in accordance with:

1. Auditing standards generally accepted in the United States of America.
2. The standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
3. The provisions of the Single Audit Act of 1996, as amended and the provisions of the U.S. Office of Management and Budget (OMB) guidance for federal awards and agreements as provided in the Code of Federal Regulation (CFR) 2 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
4. Governmental Accounting Standards Board (GASB) Pronouncements, and any guidelines, as applicable.

IV. GENERAL RFP SUBMITTAL INFORMATION

The Financial Services Department staff and the Audit Committee will evaluate proposals received.

During the review process, the City reserves the right, where it may serve the City's best interest, to request additional information or clarification from those that submit proposals or allow corrections of errors or omissions. Any and all changes in the RFP will be made by written addendum, which shall be issued by the City to all proposers who have responded to the RFP by the deadline.

The City reserves the right to retain all proposals submitted. Submission of a proposal indicates the firm's acceptance of the conditions contained in this Request for Proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the Auditor selected.

The preparation of the RFP will be at the total expense of the Proposer. There is no expressed or implied obligation for the City to reimburse responding proposers for any expense incurred in the preparation of proposals in response to this RFP. All proposals submitted to the City shall become properties of the City and will not be returned.

The City reserves the right to reject any or all proposals, in whole or in part, to waive any informality in any proposal, and to accept the proposal which, in its discretion, is in the best interest of the City.

Questions with regard to this RFP shall be submitted by e-mail to Waqas Hassan, Assistant Finance Director, at whassan@fostercity.org by 5:00 P.M. on January 25, 2023. Responses to the questions will be sent via e-mail by January 31, 2023.

V. SCOPE OF WORK

The selected independent auditor will be required to perform the following:

- A. Audit of all Funds of the City of Foster City and Estero Municipal Improvement District in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The audits shall include such tests of the accounting records and other auditing procedures considered necessary to express an opinion.
- B. Render an auditor's report on the Basic Financial Statements which include both Government-Wide Financial Statements and Fund Financial Statements.
- C. Perform limited procedures on the Management's Discussion and Analysis (MD&A) and required supplementary information (RSI) as required by the Governmental Accounting Standards Board as mandated by general accepted auditing standards.
- D. Issue a report regarding the City/District's internal control over financial reporting and tests of its compliance with certain provisions of laws, regulations, contracts and grants in accordance with Government Auditing Standards or other communications that may be required by auditing standards.
- E. Perform the required tests of compliance under Measure A of San Mateo County for Local Transportation Purposes and issue the applicable report as required.
- F. Perform the required tests of compliance under Measure W of San Mateo County Congestion Relief Plan and issue the applicable report as required.
- G. If applicable, perform a single audit or compliance audit (if applicable), in accordance with the Office of Management and Budget (OMB) Uniform Grant Guidance/Super Circular. The single audit report will include a schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior audit findings.
- H. If applicable, prepare a compliance examination report on the schedule of financial assistance (e.g. ARPA assistance).
- I. Perform agreed-upon procedures pertaining to the City's/District's GANN Limit (Article XIII B – review of appropriation limit calculations) and render a letter annually regarding compliance.
- J. Prepare the City's/District's entire ACFR.

- K. Perform a Directed Study of not to exceed 40 hours of Auditor Staff time. This Directed Study is performed at the request of the City's Audit Committee and/or City staff and is considered to be performed as "agreed-upon procedures" between the City and the Independent Auditor. The subject of the study is typically related to the financial operations of the City, and the final report is intended to document the procedures performed and the results of those procedures. There is no opinion expressed as a result of the completion of such procedures, although the Independent Auditor is free to make recommendations on any findings as a result of the testing performed. Examples of prior Directed Studies include: review of investment return comparisons with the five bay area cities; sample testing on transient occupancy tax revenues at the two (2) hotels operating in Foster City; review of compliance with the City's Internal Services Funds Policy; review of the Long-Term Capital Improvement Funding Policy; and, selected testing of video franchise fees from cable and video operators serving Foster City.
- L. Attend City meetings/audit committee meetings for the purpose of discussing the audit, the management letter and its conclusions, ACFR and other reports prepared by the auditor.
- M. Provide timeline schedule of the annual audit.
- N. Provide listing of requested items at least three (3) weeks prior to audit fieldwork.
- O. Provide assistance to meet requirements of the GFOA program including preparing answers to GFOA comments.
- P. Prepare and print all reports including tabbing and binding. Auditor shall provide unbound reproducible masters, bound copies and a digital file in Adobe Acrobat format for each of the following:

	<u>Unbound Master</u>	<u>Bound Copies</u>
1. Annual Comprehensive Financial Report (ACFR)	1	25
2. Report to the Audit Committee/ Management Letter		15
3. Measure A Compliance Report		15
4. Measure W Compliance Report		15
5. Compliance examination report on the schedule of financial assistance		15
6. Single Audit or Compliance Audit- Federal Assistance		15
7. Appropriation Limits		15
8. Directed Study		15

VI. ASSISTANCE TO BE PROVIDED TO THE AUDITOR

City Staff will:

- A. Prepare Management's Discussion and Analysis (MD&A) for the ACFR.
- B. Prepare Statistical Section of the ACFR.
- C. Provide an organizational chart.
- D. Prepare Letter of Transmittal.
- E. Provide detailed accounting records and prepare requested audit schedules.
- F. Prepare confirmation letters requested by the auditor.
- G. Provide trial balance reports such as balance sheet, revenues and expenditures details for all funds.

VII. EVALUATION CRITERIA

Proposal will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and fees. The following represents the principal selection criteria which will be considered during evaluation process:

- a. Mandatory Elements
 - 1) The firm is independent and licensed to practice in California
 - 2) The firm has no conflict of interest with the City/District
 - 3) The firm follows the instructions set forth in this request for proposal
 - 4) The firm's professional personnel have received adequate continuing professional education within the last three years
 - 5) The firm submits a copy of its most recent external quality control review report and has a record of quality audit work

- b. Technical Quality
 - 1) Responsiveness of the proposal
 - 2) Expertise and experience of the firm in government auditing for cities with full municipal services in the State of California
 - 3) The Firm's reputation in the local government auditing/accounting field
 - 4) Qualification of personnel assigned to the City including managing partner, manager, senior accountant, staff (education, including continuing education taken during the last three years, position in the firm and years of experience will be considered)
 - 5) Size and structure of the firm
 - 6) Adequacy of staff assigned to perform audit
 - 7) Audit approach
 - 8) Experience preparing ACFR
 - 9) Provide complimentary annual training to the client
 - 10) Accessibility to audit firm staff

- c. Fees

NOTE: The City reserves the right to reject any and all proposals that are deemed to be considered non-responsive or incomplete as to the required elements as indicated in this Request for Proposals.

VIII. PROPOSAL SCHEDULE

The City reserves the right to make changes to the schedule below, but plans to adhere to the timeline below:

January 12, 2023 Thu	Posting of RFP on the City's website
February 6, 2023 Mon (5:00 PM)	Deadline for RFP submission Responses to the RFP must be received at City Hall by this time
February 15, 2023 Wed	Completion of Screening of applicants
March 4, 2023 Sat (9 AM-4 PM) (subject to change due to Committee members' availability)	Interview with Audit Committee
April 3, 2023 Mon (6:30 PM)	Approval of Audit Services Contract by the City Council

IX. ANTICIPATED AUDIT SCHEDULE:

(NOTE: Time frame below is tentative only. A final time schedule will be worked out between the City staff and the selected audit firm).

May 9, 2023 Tues	Scoping meeting with selected auditors
May 15, 2023-May 19, 2023	Interim Audit
September 11, 2023-September 22, 2023	Final Phase Fieldwork
October 16, 2023 Mon	1st draft of Financial Statements for management review
October 23, 2023 Mon	2 nd draft of Financial Statements for management review. 1st draft of Management Letter and other reports
November 6, 2023 Mon	Final draft of Financial Statements and Management Letter and other reports to the Audit Committee
November 16, 2023 Thu	Audit Committee meeting to review draft of Financial Statements and Management Letter and other reports
December 4, 2023 Mon	Printed Financial Statements and Management Letter and other reports issued

X. COMPENSATION:

All responses to the RFP shall set forth the hourly rates of those persons conducting the audit and the maximum total amount of hours and compensation for reviewing all financial records outlined in this scope of work. Fees shall be provided for a three-year engagement including costs of the optional two years beginning with the fiscal year ending June 30, 2023. A cost breakdown by year and individual audit is requested for the five years. The City desires that total fees be stated as “total not to exceed amount inclusive of all out of pocket expenses”.

The City shall make progress payments based on hours of work completed during the course of the engagement within 30 days from the receipt of auditor’s invoice.

XI. PERSONNEL CHANGES

Proposals shall include a statement by the firm as to its plans and commitments relative to providing a continuity of personnel. The City reserves the right to request replacement of any members of the firm’s auditing team prior to and during the course of the audit if circumstances warrant, and similarly, the City requests that it be notified, in advance, of any changes made by the auditing firm concerning the make-up of the auditing team after work has begun.

XII. WORKING PAPERS RETENTION

All working papers and reports must be retained at auditor’s expense for seven 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 to the City/District or any government agencies. In addition, the firm shall respond to the reasonable inquiries of successor auditors to review working papers relating to matters of continuing accounting significance.

XIII. OPTIONAL SERVICES

State Controller’s Reports

- a. Prepare City Annual State Controller’s Report
- b. Prepare District Annual State Controller’s Report
- c. Prepare Street Annual State Controller’s Report

XIV. PROPOSAL REQUIREMENT

All firms shall submit a total of eleven with one (1) signed original and ten (10) hard copies of their proposal in the following order:

A. Title Page/Cover

It should include the name of the audit firm, address, telephone number, contact person and date of proposal.

B. Table of Contents

C. Transmittal Letter

Briefly introduce your firm, indicating whether your firm is local, regional, national or international. Identify the location of the office from which the work is to be done. Provide a short profile of the firm and staff levels. Indicate the name of the persons who will be authorized to make representations for and to bind the firm, their titles, addresses and telephone numbers. Indicate your firm's types of clients and any other useful information. Briefly state the proposer's understanding of the audit services to be performed, the commitment to perform the work within the time period specified and a statement as to why the firm believes to be the best qualified to perform the engagement.

D. Technical Proposal

- General Requirements – The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firm seeking to undertake an independent audit of the City/District. It should demonstrate the qualifications of the firm and the staff to be assigned to the engagement. It should also specify an audit approach that will meet the request for proposal requirements. In addition, it should provide a resume of each person assigned to this engagement.
- Independence – The firm should provide an affirmative statement that it is independent of the City/District as defined by generally accepted auditing standards.
- Business License – The independent auditor selected must possess a City of Foster City license while conducting any work under this contract.
- Firm Qualifications and Experience – The proposal should state the size of the firm, the location of the office from which this engagement is to be performed, and the size of the firm's governmental audit staff.
- External Quality Control Review – It should include the most recent review report.
- Similar Engagements with other entities – List a minimum of three cities for engagement performed in the last five years similar to the City of Foster City. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.
- Experience in preparing ACFR – Demonstrate the competency and capacity of the audit firm to prepare ACFR. Provide the names of three Cities that the firm has prepared their ACFR.

- Audit Approach – the proposal should set forth a work plan, including an explanation of the audit methodology to perform the audit services such as:
 1. Segments of the engagement
 2. Level of staff and number of hours assigned to each proposed segment of the engagement
 3. Sampling sizes and technique
 4. The software used in conjunction with the engagement
 5. The analytical procedures used in the engagement

E. Proposal Data Sheet (see sample format – Exhibit A)

XV. INFORMATION / IMPORTANT DATES

Deadline for RFP submission : **February 6, 2023 @ 5:00 PM**
 Deliver Proposals to:

Mr. Waqas Hassan
 Assistant Finance Director
 City of Foster City
 610 Foster City Blvd.
 Foster City, CA 94404

Interviews of Selected Firms **March 4, 2023 @ 9:00 AM to 4:00 PM**
 By Audit Committee
 (subject to change of date due to Committee members' availability)

City Council Approval of Audit Firm: **April 3, 2023 @ 6:30 PM**

Exhibit A

RFP PROPOSAL DATA SHEET

FIRM NAME:

CONTACT PERSON:

CONTACT INFORMATION:

QUALIFICATIONS STATEMENT

GOVERNMENTAL CLIENTS FOR PROPOSED ENGAGEMENT TEAM

CLIENT NAME

MOST RECENT AUDIT

CONTACT NAME

PHONE

AUDITING PERSONNEL PROVIDED*

ACCOUNTING FUNCTION

YEARS OF EXPERIENCE

CERT/DEGREE

LAST PUBLIC AUDIT

*Please remember to include resumes with your RFP response.

HOURLY RATES OF AUDITING PERSONNEL

NAME / FUNCTION

HOURLY / RATE

FEES AND BILLING SEQUENCE

<u>Audit Services</u>	<u>ANTICIPATED HOURS EXPENDED</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
1. City / District Audit/ Management Letter and related reports	_____	\$ _____	\$ _____	\$ _____
2. Measure A Compliance Report	_____	\$ _____	\$ _____	\$ _____
3. Measure W Compliance Report	_____	\$ _____	\$ _____	\$ _____
4. Appropriation Limit	_____	\$ _____	\$ _____	\$ _____
5. Preparation of ACFR	_____	\$ _____	\$ _____	\$ _____
6. Directed Study	_____	\$ _____	\$ _____	\$ _____
7. Compliance examination Report	_____	\$ _____	\$ _____	\$ _____
8. Single Audit	_____	\$ _____	\$ _____	\$ _____
Total not to exceed including out of pocket	_____	\$ _____	\$ _____	\$ _____

Optional Services

1. State Controller's Reports (City, District and Street)	_____	\$ _____	\$ _____	\$ _____
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Please state any qualifications you need to make regarding your proposal fee (e.g., out-of-pocket expenses, fee increases, extraordinary services, etc.).

BILLING SEQUENCE

OTHER SERVICES OFFERED

1. _____
2. _____
3. _____

Signature of Individual Submitting Proposal on Behalf of the Firm