



CITY OF LAGUNA WOODS

REQUEST FOR PROPOSAL FOR AUDITING SERVICES

FEBRUARY 3, 2012

**CITY OF LAGUNA WOODS
AUDITING SERVICES - REQUEST FOR PROPOSAL**

INVITATION

The City of Laguna Woods (City) is requesting proposals for auditing services from qualified firms. The term for service will be for three fiscal years ending June 30, 2014, with the option of providing the same service for each of the subsequent two (2) fiscal years.

I. NATURE OF SERVICES REQUIRED

A. General

The City is selecting auditors to perform an examination of the financial statements of all fund types and account groups of the City for the three fiscal years, July 1, 2011 – June 30, 2012, July 1, 2012 – June 30, 2013, July 1, 2013 – June 30, 2014, with the option of providing the same service for each of the subsequent two fiscal years.

B. Auditing Standards to be Followed

Each audit is to be performed in accordance with generally accepted auditing standards as adopted by the American Institute of Certified Public Accountants (AICPA), the standards set forth for Financial Audits in the General Accounting Office's (GAO) Government Auditing Standards, the provisions of the federal Single Audit Act of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations as well as any other applicable federal, state, local or programmatic audit requirements.

C. Reports to be Issued

The audit firm will prepare all audit work papers necessary for expressing an opinion on the fairness of the presentation of the City's financial statements. Upon completion of the Fiscal Year 2011-2012 audit the auditor shall provide the following:

1. A management letter and/or exit conference concerning comments and recommendations regarding the auditor's review and evaluation of the systems of internal control and accounting procedures.
2. All reports required for the general-purpose financial statements of the City in compliance with the provisions of OMB Circular A-133, the Single Audit Act Amendments of 1996, and Governmental Accounting Standards Board (GASB) Statements, including statements 34, 45, 47, 54 and 57.
3. A report of Agreed Upon Procedures relative to the City's calculation of its Appropriation Limit in accordance with the Article XIIB Appropriations Limit Uniform Guidelines and as mandated by the California Constitution.

4. A report of Agreed Upon Procedures issued relative to the guidelines provided by the State Department of Transportation to recipients of funds through the State-Local Transportation Partnership Program, if applicable.
5. A listing of audited adjusting journal entries in a format that shows the lowest level of posting detail necessary for the City to enter these data into the General Ledger. These should be discussed with appropriate City staff (i.e., Finance Manager, Assistant City Manager) prior to recording.

In the audit work completed regarding internal controls, 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 assertions of management in the financial statements.

D. Special Considerations

1. By the last year of the contract for audit services, the City anticipates requiring assistance in the preparation of the Comprehensive Annual Financial Report (CAFR) to ensure compliance with the reporting requirements for a Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association (GFOA).
2. It is expected that the auditor selected will be available throughout the year for general consultation regarding matters of accounting, and will keep the City abreast of new developments and reporting requirements affecting the City. No additional compensation should be contemplated unless explicitly negotiated by the City or its agents.
3. The City may require assistance in the preparation of the annual Cities Financial Transactions Report and Compensation Report to the State Controller, by October 1 of each year, and seeks a lump sum or hourly fee proposal for this work separately from the audit fee proposal but included in the same package.

E. The auditor is required to perform an annual review of the City's Investment Policy to determine compliance with applicable State and Federal laws. A report is to be provided to the City on such compliance and, if applicable, recommendations for changes in the Investment Policy document.

F. Working Paper Retention and Access to Working Papers

Working papers are to be retained for a period of five years and are to be made available (upon reasonable notice) to City staff as well as any third parties authorized by the City.

II. DESCRIPTION OF THE GOVERNMENT

The City of Laguna Woods is a General Law City in the State of California located in southern Orange County. The City was incorporated on March 24, 1999 and operates under a Council-Manager form of government. The City is a community consisting of approximately four square miles with an estimated population of 18,000. The City is bordered by the cities of Laguna Beach, Laguna Hills, and Aliso Viejo.

Laguna Woods operates as a "contract city," primarily utilizing contracts with other governmental entities, private firms and individuals to provide traditional municipal services to the community. Contracted services include police, city attorney, road maintenance, and certain planning, building and engineering services. Fire protection is provided by the Orange County Fire Authority.

The City's principal revenue sources are property taxes (35%), sales & use taxes (10%), franchise taxes (9%), transient occupancy tax (6%), transportation-related taxes (10%) and grant funds from a variety of sources (14%).

The City employs nine (9) full-time and four (4) regular part-time staff. City offices are located at 24264 El Toro Road, Laguna Woods, California, 92637. The contact person for further information or questions regarding this request for proposal is Ernestine Jones, Finance Manager, who can be reached at ejones@lagunawoodscity.org or (949) 639-0564.

A. Background Financial Information

The following summarizes key budgetary information from the adopted fiscal year 2012 budget:

General Fund:	
Revenues	\$4,437,901
Expenditures:	
Personnel	1,100,662
Materials & Services	4,629,655
Risk Management	<u>131,572</u>
Total General Fund Expenditures	\$5,861,889

B. Fund Structure

The City currently utilizes the funds detailed below:

General Funds

1. General Fund – general operations of the City.
2. Community Development Projects – proceeds of applicant deposits for community development projects

Transporation Funds

3. Fuel Tax – state subventions for gasoline taxes.
4. Rubberized Asphalt Concrete – grant for use of rubberized asphalt for repaving City streets.
5. Measure M2 – proceeds of Measure M taxes.
6. Traffic Congestion Relief – proceeds of state Traffic Congestion Relief funds
7. Federal AHRP – proceeds of federal funds awarded under the Arterial Highway Reconstruction Program
8. Traffic Mitigation Fees – proceeds of local funds collected from development for road and transportation improvements
9. Fed Transp Enhancement Activities – proceeds of federal funds awarded under the Transportation Enhancement Activities program
10. CARITS – Coastal Area Roadway Improvement and Traffic Signal funding for related improvements.
11. Service Authority for Abandoned Vehicles – Funds to pay for the cost of picking up abandoned vehicles through process allowed under state law.
12. TDA – Transportation Development Act funds for roadway improvements.
13. Transportation User Fees – proceeds of the sale of taxi vouchers and transportation services

Special Funds

14. SLEF – proceeds of State and regional grants (other than AB 2766 funds)
15. Seatbelt Safety Enforcement – proceeds from state office of traffic safety grant
16. AB2766 – proceeds of AB2766 mobile source air quality improvement funds
17. Senior Mobility Program – proceeds of Orange County Transportation Authority TDA funds for senior transportation services (audited annually by the OCTA)
18. Per Capita Park – proceeds of bond funds allocated for local park improvements
19. Park In Lieu Fund – proceeds of funds provided through development for local parks and park improvements.
20. Roberti-Zieberg Park – proceeds of state funds allocated for local park improvements
21. Beverage Container Recycling – proceeds of annual state funds for beverage container recycling
22. Used Oil Recycling – proceeds of annual state funds for used oil recycling
23. Emergency Management Performance – proceeds of federal funds allocated for emergency management operations and equipment
24. Urban Area Security Initiative – proceeds of federal funds allocated for emergency management and security operations and equipment
25. Urban Water Runoff – proceeds of state funds allocated to prevent or treat urban water runoff
26. CDBG – proceeds of federal funds from the Community Development Block Grant program awarded through the County of Orange

27. Energy Efficiency Conservation – proceeds of federal funds granted through the state for energy efficiency improvements.
28. 13th Cycle E-Waste Grant – proceeds of state funds granted for the collection of electronic and universal waste
29. CIWMB Hazardous Waste Collections – proceeds of state funds granted for the collection of hazardous waste
30. CA Dept. of Conservation – Recycling Grant – proceeds of state funds granted for the collection of electronic and universal waste
31. OC Recycling Grants – proceeds of county funds granted for the establishment of recycling programs

Capital Projects

32. Capital Projects Fund – capital projects funded with General Funds.

Self Insurance

33. Self Insurance – proceeds of General Fund revenues for premiums and maintenance of \$500,000 reserve

Account Groups

34. General Fixed Assets
35. General Long-Term Debt

C. Budgetary Basis of Accounting

Budgets are adopted annually by the City Council by resolution and are prepared for each fund in accordance with its basis of accounting (generally modified accrual). The City Manager is responsible for preparing the budget and for its implementation after adoption. All unencumbered appropriations lapse at year-end. The City Council has the authority to amend the budget during the year.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control is established by function and activity within each fund.

D. Federal, State and Local Assistance

The City receives financial assistance in the form of AB 2766 Mobile Source Air Pollution Reduction funds (administered by the South Coast Air Quality Management District) and expects to receive Community Development Block Grants (administered by the County of Orange) and other state and federal grants that will vary from year to year. Accordingly, compliance with the Single Audit Act of 1984 and implementing regulations issued by the United States Office of Management and Budget (OMB) Circular A-133 will be required.

E. Pension Plan

The City is a member of the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities and other public agencies in California. The City voluntarily rejoined the Social Security system in July 2001.

F. Long-term Debt

The City's long-term debt consists of vested amounts due to employees pursuant to the City's comprehensive annual leave program.

G. Risk Management

The City is a member of the California Joint Powers Insurance Authority ("CJPIA"), a public entity risk pool. In addition, the City has designated \$500,000 (special fund) of unreserved general funds for use in payment of any material claims not covered through the CJPIA program.

H. Treasury/Investment of Funds

The Assistant City Manager serves as the City Treasurer. Investment of funds is administered through the Administrative Services Department pursuant to the Investment Policy adopted by the City Council. As of June 30, 2011, the City's portfolio consisted of \$8.6 million in the State of California Local Agency Investment Fund (LAIF). The City directly manages its investment portfolio. In addition, the City's investment policy permits overnight investment of funds over a set threshold from the city's sole checking account by Bank of America.

I. Department of Administrative Services

The Department of Administrative Services encompasses the general accounting, treasury, risk management, payroll, personnel, general administration and purchasing functions. It consists of the full-time Finance Manager reporting to the City Manager, part time Assistant City Manager/City Treasurer, and two part time finance assistants equating to a three-quarter-time finance assistant.

Typical transaction volume is estimated as follows:

Number of bank accounts - 1
Number of cash disbursement per month - 200
Number of purchase orders issued per month - 1
Number of cash receipt batches per month - 4
Number of payroll checks per month - 28

J. Computer System

The City utilizes a Local Area Network (LAN) for all its data processing. It consists of approximately 12 workstations operating under various Microsoft Windows applications

For accounting, the City uses Fund Balance, developed by FundBalance, Inc., an incode division of Tyler Technologies. The program is used by several cities in south Orange County and includes several applications, including general ledger, accounts payable, cash receipts, purchase order and accounts receivable. Payroll services are provided through an outside service, ADP.

K. Internal Audit Function

Due to its small size, the City does not have an internal audit function. Within the constraints of available staffing, the City attempts to maintain segregation of key duties and responsibilities.

L. Availability of Prior Reports and Working Papers

The audits of the City for the two fiscal years ending June 30, 2011 were performed by the Gruber and Associates, Inc. It is anticipated that their workpapers will be available for review.

III. TIME REQUIREMENTS

It is anticipated that the audit work will be performed in two phases:

A. Interim Audit Work

Interim work for audits for periods ending June 30, 2012 and later should take place in late May or early June and would consist of planning and interim audit procedures (such as gaining an understanding of relevant systems, procedures and internal controls, selected compliance and transaction testing, etc.)

B. Year-End Audit Work

The second phase would involve updating and completing the examination of the General Purpose Financial Statements, and preparing opinion letters and other relevant financial reports. The year-end audit field work is usually begins around January 10 and is to be completed no later than January 31 of each year. This schedule may be altered only by mutual agreement between the City and the auditor. Any proposed audit adjustments must be identified no later than the conclusion of audit field work.

C. Draft Reports

The Auditor shall provide the City with a complete draft of the General Purpose Financial Statements, including footnotes and supplementary schedules by February

10. Drafts of the Single Audit and Gann Limit Reports, and of the management letter, are due no later than February 15. The City will review and provide comments or responses to the auditors within 5 calendar days of receipt of each of the draft reports.

IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR

A. Administrative Services Department and Clerical Assistance

City Staff members will be made available to assist in the audit. Staff will provide documents (invoices, checks, council minutes, etc.) and prepare (type) all confirmations. In addition, staff will be available to respond to any questions which may arise during the audit.

B. Report Preparation

The Auditor is responsible for preparation of the Independent Auditor's Report, General Purpose Financial Statements (including footnotes) and applicable Supplementary Schedules. The Introductory and Statistical sections of the CAFR are prepared by City staff with the assistance of the Auditor, as needed. These reports, together with the Single Audit Report, Gann Review Report and Management Letter are to be completed and delivered to the City as described in Section III.C. In addition to delivery in printed form, the footnote section of the financial report shall also be provided to the City via email in both Microsoft Word 2007 and Adobe Acrobat pdf formats.

C. Other

The City will provide the auditors with suitable workspace, telephone and access to scanner and photocopier.

V. PROPOSAL REQUIREMENTS

A. Inquiries

Inquiries concerning this request for proposal must be made to:

Ernestine Jones
Finance Manager
24264 El Toro Road
Laguna Woods, CA 92637
Email: ejones@lagunawoodscity.org
Phone: (949) 639-0564

CONTACT WITH ANY OTHER PERSONNEL OF THE CITY REGARDING THIS REQUEST FOR PROPOSAL MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.

B. Sealed Proposals

Proposals must be submitted in a sealed envelope or package bearing the title "City of Laguna Woods Audit Proposal" and the proposer's name and address. The proposer shall submit seven (7) copies of the completed proposal and other pertinent information to the office of the Deputy City Clerk no later than 3:00 p.m. on Monday, March 16, 2012 at 24264 El Toro Road, Laguna Woods, CA 92637. It is the responsibility of the proposer to ensure that the proposal is delivered on time. Any proposal received after the deadline will be disqualified. The City will not reimburse firms for any expenses incurred in the preparation of proposals in response to this RFP.

C. Public Information

All submitted proposals, and information included therein and attached thereto, shall become public record upon receipt by the City Council for consideration of selection of auditor.

VI. MINIMUM QUALIFICATIONS

Firms bidding shall meet the following minimum qualifications:

- A. Firm shall have successfully completed audits of a similar size for cities or other public agencies in the preceding twenty-four months.
- B. Staff assigned to the engagement shall have a minimum of three years of experience in the audit of municipalities. Managers or supervisors assigned to the engagement shall have a minimum of five years of experience in the audit of municipalities. Partners assigned to the engagement shall have a minimum of ten years of experience in the audit of cities.
- C. Firm shall have prepared and issued a minimum of two Single Audit reports and five management letters in the preceding twenty-four months.

VII. SELECTION PROCESS AND CRITERIA

A. Selection Committee

The selection process will involve the review of the proposal for compliance with the requirements of the RFP, qualifications of the firm and references.

Based upon staff review of the proposals, interviews may be scheduled at the City of Laguna Woods City Hall with the most qualified proposers. Finalists will be notified of specific times and will be allowed a total of thirty minutes for their presentation and to answer questions.

Staff will rank the proposers and recommend the top ranked auditing firm to the City Council for award of contract.

B. Contents of Proposal

Proposals shall contain the following information:

1. A general summary of the audit engagement plan including nature of interim/year-end testing procedures and the extent of support which will be required from City Staff (i.e. pulling invoices, checks, schedule preparation, etc.)
2. A discussion of your firm's qualifications and relevant experience including recent experience in compliance auditing under the Single Audit Act.
3. A discussion of educational background and relevant experience of the Partner, Supervisor(s) and Staff which will be assigned to this engagement.
4. A summary of recent audit engagements of other similarly sized governmental agencies, including individuals from three recent engagements whom we may contact for reference.
5. A preliminary schedule including tentative dates for completion of interim and year-end field work, preparation of financial statements, footnotes, opinion letters and the management letter.
6. A proposed budget including estimated hours for each member of the engagement team, hourly billing rates, out-of-pocket expenses and a total proposed cost for each of the three years. The budget must include an all-inclusive maximum price (including out-of-pocket expenses) for all services outlined in section I. of this Request for Proposal.
7. A listing of billing rates, by staffing level, which would apply to any supplemental services which may be requested by the City during the term of this contract.

C. Criteria for Selection

Selection of the auditor shall be based upon the following criteria:

1. Technical qualifications and experience of key members of the engagement team and the firm.
2. Experience with similarly sized governmental agencies in providing the types of services outlined in this Request for Proposal.
3. Capability of handling all aspects of the engagement and providing ongoing support and technical assistance throughout the year.
4. Ability to provide continuity of staff from year to year.

5. Thoroughness of auditors proposed scope of work.
6. Clearly defined schedule of work to be performed and ability to meet required completion dates for key parts of the audit.
7. Reasonableness and competitiveness of cost budget.

The award of the contract will not be based on the lowest fee proposed, but on a combination of all of the above factors. The City reserves the right to request additional information and allow for corrections of errors or omissions. The City reserves the right to reject all proposals.

VIII. TIME SCHEDULE

The City anticipates using the following time schedule, which should result in the selection of an auditor by April 18, 2012:

February 6, 2012	Mail RFP's to bidders
February 24, 2012	Written questions due by 3:00 p.m.
March 2, 2012	Responses to questions
March 16, 2012	Written proposals due by 3:00 p.m.
March 19 – March 30, 2012	Review of proposals
April 2 – 6, 2012	Firm interviews, if necessary
April 18, 2012	Recommendation to City Council
April 30, 2012	Notification to bidders

Attachment:
Contract for Auditing Services