

CITY OF MOORHEAD
REQUEST FOR PROPOSAL
FOR
PROFESSIONAL AUDIT SERVICES
FOR THE PERIODS ENDING
12/31/2019 AND 12/31/2020



Karla McCall
Finance Director
City of Moorhead
500 Center Avenue
Moorhead, MN 56561

**REQUEST FOR PROPOSAL
PROFESSIONAL AUDITING SERVICES**

The City of Moorhead (City) is soliciting proposals from qualified certified public accounting firms (Firm) licensed to practice in the State of Minnesota to audit its financial statements for the fiscal years ending December 31, 2019 and 2020 with the option of auditing its financial statements for each of the three (3) subsequent fiscal years 2021, 2022, and 2023, in addition to performing other financial audits and reviews as required by Minnesota State Statutes. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the U. S. Office of Management and Budget (OMB) Circular A-133 *Audits of State and Local Governments and Non-Profit Organizations* and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minnesota Statutes Section 6.65.

The City Council will make the final decision on award of the Contract. At the discretion of the City of Moorhead, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City of Moorhead does not express or imply any obligation to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. If your firm would like to consider this engagement, we invite your response due no later than noon on Monday, September 9, 2019 with three (3) copies of the proposal to the address below and one electronic copy (e-mailed) to karla.mccall@ci.moorhead.mn.us.

City of Moorhead
Finance Department
500 Center Ave., P.O. Box 779
Moorhead, MN 56561

Additional information may be obtained by contacting:

Karla McCall
Finance Director
City of Moorhead
218-299-5185 Direct Line

Sincerely,



Karla McCall
Finance Director

BACKGROUND

The City of Moorhead, incorporated in 1881, is located in the heart of the Red River Valley, 250 miles northwest of Minneapolis. It is the county seat of Clay County and a community rich in history, tradition and diversity. While Moorhead is part of a growing metropolitan region, it is distinct because of its liberal arts based college atmosphere, quality educational system, plentiful parks and strong, diverse neighborhoods. The City covers approximately 22.2 square miles with a population of 38,065 as of the 2010 U.S. Census.

The City of Moorhead has operated under the council-manager form of government since 1985. Policy-making and legislative authority are vested in a city council consisting of the mayor and eight other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the city government and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with four council members elected every four years and the mayor and four council members elected in staggered four-year terms. The mayor is elected at large and the council members are elected by ward.

The City of Moorhead provides a full range of services. The general governmental functions include police and fire protection, emergency medical services, street maintenance, engineering, planning and zoning, neighborhood services, rental registration, transit, parks and recreation, economic and community development and general legislative and administrative services. The City also operates as enterprise funds the following services: electric, water, wastewater treatment, storm water collection, sanitation, sports center, golf course, pest control, forestry, airport and street light utility. Vehicles and equipment, radio, information technology and maintenance shop services are provided through internal service funds.

The Moorhead Public Service Commission oversees the operation of the electric and water utilities. A separate audit of the activity related to the operation of these enterprise funds is included is requested as outlined in Exhibit A.

The City of Moorhead is organized into seven departments (Administration, Engineering, Fire, Parks & Recreation, Community Development, Police, and Public Works). The City has 327.88 full time equivalents and an annual budget of \$84,143,970. The accounting and financial reporting functions are centralized and the City's fiscal year begins on January 1 and ends on December 31.

The City utilizes Fundware accounting software with various, unintegrated, software programs for payroll, building permits, planning and zoning, public works, and recreation. More detailed information on the City and its finances can be found in the Comprehensive Annual Financial Reports and Annual Budget Summary

documents which are accessible on the City's website at <http://www.ci.moorhead.mn.us/departments/administration/finance/financial-reports>. The following funds are used in financial reporting for the City of Moorhead:

1. General Fund
2. Special Revenue Funds
3. Debt Service Funds
4. Capital Project Funds
5. Enterprise Funds
6. Internal Service Funds

NATURE OF SERVICES REQUIRED

The City seeks an audited financial report to be prepared by the independent auditor, to be fully compliant with Government Accounting Standard Board guidelines, and to be filed electronically with the Office of the State Auditor for the State of Minnesota.

The selected independent auditor will be required to perform the following tasks.

1. The audit firm will perform an audit of all funds of the City of Moorhead. The audit will be conducted in accordance with the auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States. The audit firm will render their auditors' report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the City.
2. The audit firm will perform a single audit (if necessary) on the expenditures of federal grants in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the City's financial statements in accordance with *Government Auditing Standards* and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133. The single audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings and questioned cost, including reportable conditions and material weaknesses, and follow up on prior audit findings where required.
3. The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures, and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the Finance Director with copies to the City Manager, the Mayor, and City Council.

4. The audit firm shall review and comment on the Comprehensive Annual Financial Report in conjunction with the audit. The audit firm shall print and bind 15 hard copies of the Management Report and provide a presentation to the City Council.
5. Moorhead Public Service provides management services for the City's electric and water operations and their audited financial statements are included within the enterprise funds in the financial statements of the City of Moorhead.

TIME REQUIREMENTS

A schedule for interim work, fieldwork, and draft reports will be determined upon completion of the auditor selection process.

The City will prepare the Minnesota State Auditor's reporting form, and any additional reporting requirements imposed by the Office of the State Auditor.

The final audit will be presented to the Moorhead City Council no later than the first Tuesday in June, with all paperwork submitted by noon the preceding Thursday.

SUBMISSION

The written proposal should include all attachments and exhibits, submitted as follows: three copies of the written proposal to the City of Moorhead Finance Department in a sealed envelope **no later than noon CST on September 9, 2019** and one copy electronically via email to karla.mccall@ci.moorhead.mn.us. Proposals received after the deadline will not be accepted. Any material changes made by the City will be in writing and distributed to the Firms. Modifications or corrections received after the closing date will be rejected.

The evaluation process consists of the following steps:

1. The proposals will be evaluated by a Management Team.
2. The City Manager, Assistant City Manager and Finance Director are included in this Team, and specific input may also be received from finance department staff directly involved with the performance of the audit.
3. Final selection will be made by the City Council upon recommendation by the Management Team.

Selection of the successful proposal will be at the sole discretion of the City Council. The City Council reserves the right to reject any or all proposals and to waive formalities.

THE CITY COUNCIL REQUESTS THAT ONCE PROPOSALS HAVE BEEN SUBMITTED, NO UNSOLICITED CONTACT OR DISCUSSIONS CONCERNING THESE PROPOSALS BE MADE PRIOR TO THE EVALUATION OF ALL PROPOSALS.

QUALIFICATIONS AND APPROACH

- 1) Cover letter. A signature by a principal or officer having the authority to negotiate and contractually bind and extend the terms of the written proposal is required.
- 2) Executive Summary. In a brief narrative, describe the proposed procedure by setting forth the overall approach and plans to meet the requirements of the RFP. The contents of the narrative are to demonstrate to the City that the Firm understands the objective of the financial audit and the level of effort necessary to successfully provide the services. The narrative should stipulate how the Firm plans to provide the services with qualified staff and to meet the required deadlines.
- 3) Company. Provide company name, address, telephone, fax, email, and information regarding the Firm's stability, length of time in business, business history, company size, description of audit staff available, and a list of all public sector audits in Minnesota during the past three years. Include the size of the city and a contact name and telephone number. Provide resumes of audit team members and the Firm's reporting structure. The City reserves the right to accept or reject any changes made to the proposed audit team members.
- 4) Audit Approach. Describe the Firm's general approach to managing the project, including specific plans to manage, control, and supervise the project in order to ensure satisfactory provision of services. Provide a proposed project schedule, as well as scheduling and control methodology that will be used to ensure the schedule will be met.
- 5) Consultants or Sub-Firms/Contractors. Describe the Firm's business and reporting relationship with any consultants and/or sub-Firms/contractors. The City desires to enter into one contract with one Firm, who will be responsible for all work and products. Any other arrangements must be fully disclosed to the City.
- 6) Provide a listing of at least three municipal references with contact name, telephone number, and email address.

COST PROPOSAL SUMMARY

1. The proposal should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price shall contain all direct and indirect costs including all out-of-pocket expenses. The cost for a Single Audit (if needed) should be separately stated.
2. The City will not be responsible for expenses incurred in preparing and submitting the proposal. Such costs should not be included in the proposal.
3. Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the Firm's proposal. Interim billings shall cover a period of not less than a calendar month.
4. The proposal submitted in response to this RFP will be incorporated as part of the final contract with the selected Firm.
5. Should any discrepancies or omissions be found in the RFP or if there is doubt as to their meaning, the Firm shall notify the City at once. The City will send written instruction or addenda to all Firms regarding any discrepancy or omission. Questions must be received in writing, or electronically by email, no later than August 30, 2019.
6. The City shall not be responsible for oral interpretations.
7. All responses, inquiries, and correspondence relating to this RFP including all reports, charts, displays, schedules, exhibits and other documentation produced by the Firm that are submitted as part of the proposal and not withdrawn prior to the scheduled closing date shall, upon receipt by the City, become property of the City.
8. All costs are to be stated in exact amounts. All costs must be detailed specifically in the cost quotations section of the proposal. No additional charges (i.e., sales tax, transportation, container packaging, installation, training, etc.) will be allowed unless so specified in the response.
9. The contract entered into by the successful Firm and the City shall be interpreted, construed and given effect in all respects according to the State of Minnesota.

AWARD

It is the intent of the City to award audit services for the fiscal years ending December 31, 2019 and 2020 with the option of extending for three (3) subsequent fiscal years 2021,

2022, and 2023. Although cost is an important factor in deciding which proposal will be selected; it is only one segment of the criteria used to evaluate audit firms. The City reserves the absolute right, in its sole discretion, to award a contract, if any, which under all circumstances will best serve the public interest. The City reserves the right to reject any or all proposals or to make no award at all, to determine whether any alternate proposals are equal to the specifications and general requirements, and to accept proposals with minor variations from the specifications and/or conditions. The City shall take into consideration the proposal's confirmation with specifications, suitability to requirements, delivery, terms, and any other item stated in the specifications. A Firm's past performance will be a factor in making an award.

After award, all written proposals are open to public inspection. The City assumes no responsibility for the confidentiality of information offered in a proposal. The RFP is worded so as not to elicit proprietary information. If proprietary information is submitted as part of the proposal, it must be labeled as proprietary and accompanied with a request that the information shall be returned by the City to the submitter. Any proposal submitted with a blanket statement or limitation that would prohibit or limit such public inspection may be considered non-responsive and shall be rejected.

RESPONSE AND CONTRACT REQUIREMENTS

The Firm must agree to adhere with strict conformity to the specifications and agrees, if this response is accepted, to contract with the City to provide all necessary personnel to do all the work provided in the specifications, in the manner and time prescribed, and will accept payment for the prices set forth.

The Firm is required to carefully examine the site of the specifications, contract forms, work contemplated, and it will be assumed that the Firm investigated and is satisfied as to the conditions to be encountered, as to the character, quality, and quantities of work to be performed as to the requirements of the proposal. It is mutually agreed that submission of the information shall be considered prima facie evidence that the Firm made such examination.

Failure on the part of the Firm to comply with the requirements and conditions of this RFP may subject the response to rejection. The burden of proof of compliance with this specification lies with the Firm.

EVALUATION CRITERIA

The Management Team evaluating the proposal will base the evaluation on criteria including, but not limited to, the following list (in no order of priority):

- The audit firm is independent and licensed to practice in Minnesota;
- The firm has no conflict of interest with regard to any of the work performed by the firm for the City;

- The firm adheres to the instruction in this request for proposals on preparing and submitting the proposal;
- The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work;
- The firm's past experience and performance on comparable government engagements;
- The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation;
- Adequacy of proposed staffing plan for various segments of the engagement;
- Thoroughness of approach to conducting the audit of the City and demonstration of the understanding of the objectives and scope of the audit;
- Commitment to timeliness in the conduct of the audit; and
- Maximum fees to conduct the audit.

INQUIRIES

Prior to submission deadline, questions may be directed to:

Karla McCall
Finance Director
City of Moorhead
500 Center Ave, PO Box 779
Moorhead, MN 56561
218-299-5185 Direct Line
Email address: karla.mccall@ci.moorhead.mn.us

EXHIBIT A

The Moorhead Public Service Commission (MPS) operates the electric and water utilities independently from the City of Moorhead, but the utilities are included within the City's financial reports as enterprise funds.

The Commission requests proposals for an independent audit and preparation of financial statements for the MPS activity as it relates to the operation of the public utilities. The audit is to be conducted in the same manner as the City audit with a separate report to be presented to the Utility Commission. The cost proposal summary must include the cost for the MPS audit. The 2018 financial statements can be viewed at the following web address: <http://www.mpsutility.com/index.php/mps-annual-reports> .