



**REQUEST FOR QUALIFICATIONS**

**INDEPENDENT FINANCIAL AUDIT SERVICES**

**DUE DATE:**

**WEDNESDAY, OCTOBER 31, 2018**

**ISSUED BY:**

**FINANCE DEPARTMENT**

## TABLE OF CONTENTS

I.	INTRODUCTION	
A.	Request for Qualifications (RFQ).....	1
B.	Term of Engagement.....	1
II.	DESCRIPTION OF THE MUNICIPALITY	
A.	Background Information.....	1
B.	Current City Officials.....	1
C.	Fund Structure.....	2
D.	Budgetary Basis of Accounting.....	2
E.	Financial Information.....	2
F.	Pension Plans.....	2
G.	Federal and State Financial Assistance.....	3
H.	Component Units.....	3
I.	Computer Systems.....	3
J.	Internal Audit Function.....	3
K.	Finance Department Personnel.....	3
III.	SCOPE OF AUDIT SERVICES REQUIRED	
A.	Auditing Standards to be Followed.....	3
B.	Reports to be Issued.....	4
C.	Evaluation of Internal Control Systems.....	4
D.	Provision of Advisory Guidance.....	4
E.	Requested Client-prepared Schedules.....	4
F.	CAFR Preparation.....	4
G.	Working Paper Retention and Access to Working Papers.....	5
IV.	CITY OF GRAHAM'S RESPONSIBILITIES DURING AUDIT.....	5
V.	CALENDAR OF EVENTS	
A.	Selection of Audit Firm.....	5
B.	Contemplated Schedule for Annual Audit.....	6
VI.	INFORMATION REQUESTED FROM AUDIT FIRMS	

A.	Title Page .....	6
B.	Table of Contents .....	6
C.	Letter of Transmittal .....	6
D.	Profile of the Responding Firm.....	7
E.	Summary of the Responding Firm's Qualifications.....	7
F.	Approach to the Audit.....	7
VII.	SUBMISSION OF STATEMENT OF QUALIFICATIONS	
A.	Instructions to Prospective Firms.....	8
B.	Filing Requirements.....	9
VIII.	EVALUATION CRITERIA .....	9
IX.	RIGHTS RESERVED BY THE CITY OF GRAHAM .....	10
X.	WARRANTIES .....	10
XI.	DOLLAR COST OF THE AUDIT SERVICES TO BE PROVIDED.....	11

**INTRODUCTION**

**A. Request for Qualifications (RFQ)**

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

**B. Term of Engagement**

A one-year engagement is contemplated, subject to the annual review and recommendation of the City Manager and Director of Finance, the satisfactory negotiation of terms (including a price acceptable to both the City and the selected firm), the concurrence of the City Council, and the annual availability of an appropriation. The audit will initially be performed for the fiscal year of October 1, 2017 to September 30, 2018.

**II. DESCRIPTION OF THE MUNICIPALITY**

**A. Background Information**

The City, incorporated on July 28, 1920, is located approximately 60 miles south of Wichita Falls, Texas, and is the county seat for Young County. The City currently occupies a land area of 5.598 square miles and serves an estimated population of 8,903. The City of Graham is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the governing council. With the adoption of the home rule charter in 1920, the municipality presently operates under the Council-Manager form of government.

**B. Current City Officials**

• Elected Officials:

- Mayor..... Neal Blanton
- Councilmember, Place 1 ..... Darby Brockway
- Councilmember, Place 2 ..... Brint Albritton
- Councilmember, Place 3 ..... Kyle Peavy
- Councilmember, Place 4 ..... Lee Boyd

• Appointed Officials:

- City Manager ..... Brandon Anderson

City Secretary/Finance Director..... Sharon McFadden  
 City Attorney..... Daniel De La Cruz  
 Director of Public Works ..... Jason Cottongame  
 Chief of Police ..... Tony Widner  
 Fire Chief ..... Jerry David

**C. Fund Structure**

As of July 18, 2018, the City's fund structure is as follows:

Fund Type	Number of Individual Funds	Number with Legally Adopted Annual Budgets
General fund	1	1
Special revenue funds	22	0
Debt service funds	3	3
Capital projects funds	0	0
Enterprise funds	2	2
Internal service funds	1	1
Agency funds	0	0
Pension trust funds	1	1

**D. Budgetary Basis of Accounting**

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

**E. Financial Information**

Total annual appropriations for funds of the primary government for fiscal year 2017-18 total \$14.4 million. More detailed information about the City and its finances can be found in prior CAFRs and budgets. These documents, along with other information, are available on the City website at [www.cityofgrahamtexas.com](http://www.cityofgrahamtexas.com)

**F. Pension Plans**

The City's employees participate in the Texas Municipal Retirement System.

**G. Federal and State Financial Assistance**

During the fiscal year to be audited, the City may receive funding from federal and state financial assistance programs. A Single Audit may be required if the appropriate grant expenditure thresholds are met.

H. Component Units

Besides the primary government, the City's financial statements provide information for its three (3) component units. The Graham Economic Improvement Corporation is included as a discretely presented component unit. This component unit is funded by the levy of a sales and use tax of one-half of one percent to promote economic development within the community.

I. Computer Systems

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

- General ledger
- Accounts payable
- Accounts receivable
- Check reconciliation
- Fixed assets
- Payroll
- Municipal Court
- Utility billing
- Cash collections
- Building projects (*includes permitting, inspections, code enforcement*)
- Inventory
- Administration

J. Internal Audit Function

The City does not currently have any internal audit functions.

K. Finance Department Personnel

The City Secretary/ Finance Director 4 years of municipal finance experience.

Other finance-related personnel include the following positions:

- Assistant Finance Director
- Accounts Payable/Purchasing Clerk
- Payroll/Human Resources Clerk
- Utility Billing Clerks (2)

III. SCOPE OF AUDIT SERVICES REQUIRED

A. Auditing Standards to be followed

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

- Auditing standards generally accepted in the United States of America,

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

**B. Reports to be issued**

The selected audit firm will be required to prepare the following reports:

- Independent Auditor's Report,
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, and
- All other reports required of the independent auditor examining the City's financial statements in accordance with the standards listed above.

**C. Evaluation of Internal Control Systems**

The selected audit firm shall observe the adequacy of the systems of internal control. If weaknesses are noted, appropriate findings and recommendations should be reviewed with the City Manager and Director of Finance, with final inclusion in a separate letter to management.

**D. Provision of Advisory Guidance**

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

**E. Requested Client-prepared Schedules**

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

**F. CAFR Preparation**

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

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

Printing and binding of copies of the CAFR will be the responsibility of the audit firm, with the report covers provided by the City. The audit firm will also provide the City

with a print-ready version of the CAFR in Portable Document Format (PDF) to facilitate the printing of any additional copies and for posting the CAFR on the City's website.

G. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the City of the need to extend the retention period.

At the City's request, copies of any or all working papers prepared in conjunction with a respective audit engagement will be provided, on a timely basis, at no cost to the City. In addition, the audit firm shall respond to reasonable inquiries of successor auditors and allow them to review working papers relating to matters of continuing accounting significance.

IV. CITY OF GRAHAM'S RESPONSIBILITIES DURING THE AUDIT

- A. The City's finance department staff shall close all accounts 45-60 days after fiscal year end and prepare, at the audit firm's option, a trial balance and/or detailed general ledger transaction listing for all funds to be examined by the auditor.
- B. The City will provide the auditor with an onsite work area and access to a source of power, internet access, telephone, photocopier, and fax machine.
- C. The City will make available and accessible all documents, records, and systems requested by the independent auditors to conduct their examination.
- D. City staff will be available to provide documents and reports for examination, reproduce documents, prepare specific schedules, etc.
- E. The City will allow the auditor access to staff work areas for confidential discussions to take place.

V. CALENDAR OF EVENTS

A. Selection of Audit Firm

The following is a proposed calendar of events for selection of an auditor. Dates are subject to change.

<b><u>KEY DATE</u></b>	<b><u>DESCRIPTION OF EVENT</u></b>
Thursday, September 6, 2018	Post in City Hall, post RFQ on City's website, and distribute RFQ to prospective firms
Wednesday, October 31, 2018	Receive sealed Statements of Qualifications by 2:00 PM at City Manager's Office at City Hall, 429 Fourth Street and publicly open thereafter in City Hall Conference Room
Thursday, November 15, 2018	City Council selection of audit firm (tentative)



**B. Contemplated Schedule for Annual Audit**

The desired schedule for completion of certain aspects of the audit for each year of the engagement is as follows:

1. The audit may commence after September 30 or at an earlier time for planning purposes as mutually agreed upon by the City.
2. The detailed list of requested schedules to be prepared by City staff needs to be provided to the City at least one (1) month prior to the beginning of fieldwork.
3. The preliminary draft report will be prepared by the audit firm and given to the City during January.
4. The audit firm will be required to present the CAFR to the City Council at a meeting scheduled in February or March.

**VI. INFORMATION REQUESTED FROM AUDIT FIRMS**

Any firm interested in being considered for the independent financial audit services engagement is requested to submit, on the firm's letterhead, a Statement of Qualifications which provides information on the points indicated below. Responding firms should refer to Section VII (Submission of Statement of Qualifications) of this RFQ for additional response guidelines.

To achieve a uniform review process and obtain the maximum degree of comparability, the Statement of Qualifications is to be organized according to the following outline:

**A. Title Page**

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

**B. Table of Contents**

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

**C. Letter of Transmittal**

1. Briefly state the firm's understanding of the work to be performed and provide a clear commitment that work will be performed within the time periods specified in the RFQ.
2. Provide the names of the persons who will be authorized to make representations for the firm, their titles, addresses, email addresses, and telephone numbers.
3. State that the person signing the transmittal letter is authorized to bind the firm and enter into a contract.
4. The firm should provide affirmative statements that:
  - a. It is licensed to practice in the State of Texas and
  - b. It is independent of the City of Graham as defined by *Government Auditing Standards* issued by the Comptroller General of the United

States. (Otherwise, identify and discuss any potential conflicts of interest of which the firm is aware.)

**D. Profile of the Responding Firm**

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

**E. Summary of the Responding Firm's Qualifications**

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

**F. Approach to the Audit**

1. Submit a work plan to accomplish the scope of services required, including an explanation of the audit methodology to be followed. In developing the work plan, reference should be made to sources of information, such as the City's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems. The planned use of any specialists should also be specified. In addition, proposers are required to provide the following information on their audit approach:
  - a. Proposed segmentation of the engagement,
  - b. Level of staff and number of hours to be assigned to each proposed segment of the engagement,
  - c. Sample sizes and the extent to which statistical sampling is to be used in the engagement,
  - d. Extent of the use of EDP software in the engagement,
  - e. Type and extent of analytical procedures to be used in the engagement,
  - f. Approach to be taken to gain and document an understanding of the City's internal control structure,
  - g. Approach to be taken in determining laws and regulations that will be subject to audit test work, and

- h. Approach to be taken in drawing audit samples for purposes of tests of compliance.
2. State the purpose and degree of utilization of City of Graham personnel.

## VII. SUBMISSION OF STATEMENT OF QUALIFICATIONS

### A. Instructions to Prospective Firms

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

1. Please respond specifically to all information requested in this RFQ or indicate why a particular response is not given.
2. Please limit responses to relevant material. Any additional data may be included in the Statement of Qualifications at the proposer's discretion. Additional information must be submitted in the form of an appendix or bound separately.
3. Identify the RFQ item being addressed in the introduction to each response.
4. Respondents or their representatives are prohibited from communicating with City of Graham officials (including City Council members) and employees regarding the RFQ from the time it is released until it has been acted upon by the City Council. Violation of this provision by respondents or their agents will lead to disqualification of the respective Statement of Qualifications from consideration.
5. If there are any clarification questions regarding the scope of work and/or any other requirements of this RFQ, respondents or their representatives should submit them in writing and forward them via email to Brandon Anderson, City Manager, at [banderson@grahamtexas.net](mailto:banderson@grahamtexas.net)
6. The City of Graham is subject to the Texas Open Records Act. However, certain types of information may be exempt from disclosure under the Act. Firms submitting information which they deem confidential or proprietary must clearly mark and identify such information page by page. The City will, to the extent allowed by applicable law, protect such information from disclosure. The final decision as to what information must be disclosed under the Open Records Act lies with the Texas Attorney General.

### B. Filing Requirements

The City of Graham requests two (2) bound copies of the Statement of Qualifications, along with one (1) unbound copy suitable for reproduction. All Statements of Qualifications should be sealed in an envelope and clearly marked "Statement of Qualifications for Independent Financial Audit Services" on the outside of the envelope or on any carrier's envelope.

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

Brandon Anderson  
City Manager  
City of Graham  
429 Fourth Street  
Graham, TX 76450 (physical address)

The City of Graham will accept sealed Statements of Qualifications for independent financial audit services **until Wednesday, October 31, 2018. Statements of Qualifications received after this time will not be considered.**

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

#### VIII. EVALUATION CRITERIA

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

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

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

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

- A. Knowledge of generally accepted accounting principles, auditing standards, financial policies, and procedures applicable to governmental entities,
- B. Prior experience in auditing financial statements of similar sized or larger municipal governments in Texas,
- C. Proposing firm's approach to the examination and the work plan for accomplishing the scope of services required in the RFQ,
- D. Availability of trained personnel and technical resources required for conducting the audit and for providing consultation on accounting and other technical matters as needed to keep the City current on any changes in governmental accounting and financial reporting standards, and

#### IX. RIGHTS RESERVED BY THE CITY OF GRAHAM

The City of Graham reserves the right to:

- A. Accept, reject, re-solicit, and/or extend the RFQ by up to two (2) additional weeks from the original submission date if only one or no Statement of Qualifications is received by the submission deadline,
- B. Hold Statements of Qualifications for 90 days from the submission date without action,
- C. Extend the original 90-day holding period prior to the award if agreed upon in writing by both parties,
- D. Request additional information or to meet with representatives from responding firms to discuss items in the Statement of Qualifications before and after submission, any or all of which may be used in forming a recommendation,
- E. Disregard and reject the entire Statement of Qualifications for any alterations, changes, or deletions made to this RFQ by the proposer,
- F. Reject any or all Statements of Qualifications received and to accept the Statement of Qualifications the City considers being in its best interest based upon the requirements and descriptions outlined in the RFQ,
- G. Retain all Statements of Qualifications submitted and to use any ideas in a Statement of Qualifications regardless of whether that Statement is selected, and
- H. Terminate all or any part of the unfinished portion of the work resulting from this solicitation within thirty (30) days written notice due to default, delay, or non-performance by the firm or if it is deemed in the best interest of the City for convenience.

X. WARRANTIES

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

XI. DOLLAR COST OF THE AUDIT SERVICES TO BE PROVIDED

Once the City has ranked all validly submitted Statements of Qualifications and selected a firm on the basis of demonstrated competence and qualifications, the City will enter into negotiations with the successful firm in an attempt to obtain a fair and reasonable price for its services. To this end, the firm will be expected to provide the following items for consideration at that time:

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