



CITY OF HORSESHOE BAY, TEXAS

REQUEST FOR PROPOSALS (RFP)  
INDEPENDENT FINANCIAL AUDIT SERVICES

DUE DATE:  
APRIL 20, 2018 AT 2:00 P.M.

ISSUED BY:  
FINANCE DEPARTMENT



## **NOTICE OF REQUEST FOR PROPOSALS**

The City of Horseshoe Bay will accept sealed Proposals for Independent Financial Audit Services until 2:00 P.M., April 20, 2018 in the Finance Department. Proposals received after this time will not be considered.

Proposals will be acknowledged on April 23, 2018 at 10:00 A.M. All persons are invited to attend the acknowledgement at the Horseshoe Bay City Hall, 1 Community Drive, Horseshoe Bay, Texas.

The City of Horseshoe Bay is requesting three (3) copies of the proposals including any attachments. Please clearly mark on the outside of the envelope and on any carrier's envelope: "RFP for Independent Financial Audit Services", and send to the attention of Kristen Woolley, Finance Director, 1 Community Drive, Horseshoe Bay, Texas 78657 (physical location) or P.O. Box 7765, Horseshoe Bay, Texas 78657 (mailing address).

The City of Horseshoe Bay will not be responsible in the event that the U.S. Postal Service or any other courier system fails to deliver the sealed proposals to the City of Horseshoe Bay by the given deadline above. Electronic transmission or facsimile of Proposals will not be acceptable.

The City of Horseshoe Bay reserves the right to reject any or all responses and to waive irregularities contained therein and to accept any response deemed most advantageous to the City of Horseshoe Bay.

Kristen Woolley  
Finance Director  
City of Horseshoe Bay, Texas

## SCOPE AND INTENT

The City of Horseshoe Bay (the “City”) is seeking applications from experienced public accounting firms whose principal officers are independent certified public accountants. Services shall include (1) performance of the annual financial audit for the City and Water/Sewer (enterprise fund) for three fiscal years ending September 30, 2018, 2019, and 2020 (with an option to renew annually) and (2) other related services as stated herein.

## GENERAL INFORMATION

1. **REVIEW OF PROPOSER:** The City of Horseshoe Bay may make such investigations as it deems necessary to determine the ability of the proposer to provide satisfactory performance in accordance with specifications and the proposer shall furnish to the City of Horseshoe Bay may request.
2. **RESOURCE CONTACT:** All information and/or questions pertaining to this proposal shall be directed to Kristen Woolley, Finance Director, 830-598-9907, [kwoolley@horseshoe-bay-tx.gov](mailto:kwoolley@horseshoe-bay-tx.gov). It is the responsibility of the proposer to seek clarification of any uncertain terms prior to submitting its proposal.
3. **PRICES FIRM:** The City of Horseshoe Bay requires that submitted proposals remain in force until an award is made.
4. **NEGOTIATION:** Any attempt to negotiate with the City of Horseshoe Bay or its representatives prior to the award shall be grounds for disqualification.
5. **TAX-EXEMPT:** The City of Horseshoe Bay is exempt from all sales tax and excise taxes. Tax exemption certificates are available upon request.
6. **APPLICABLE LAW:** This agreement shall be governed by the laws of the State of Texas.
7. **ANTI-DISCRIMINATION:** The successful proposer, in performing the work hereunder, shall comply with the provisions of Executive Order Number 11246 and shall not discriminate against any employee or applicant for employment because of religion, race, color, sex, age, or national origin.
8. **FAX/E-MAIL:** The City of Horseshoe Bay will not accept a proposal or alterations to a proposal via a facsimile machine and/or e-mail. The FAX machine and/or e-mail are available for information inquiries only. No proposal responses received via the FAX machine and/or e-mail will be considered.
9. **ALTERING PROPOSALS:** Proposals cannot be altered or amended after the submission deadline. Any interlineation, alteration, or erasure made before opening time and date, must be initialed by the signed of the proposal, guaranteeing authenticity.

**10. REJECT PROPOSALS:** The City of Horseshoe Bay reserves the right to reject any or all proposals and to waive informalities in the proposal process.

**11. DEFAULT:** In case of default after proposal acceptance, the City may exercise any and all rights it may have in compliance with the law.

**12. AWARD:** Award will be made to a single proposer.

## **INSTRUCTIONS TO THE PROPOSERS**

1. The proposal shall be based on, but not necessarily limited to, the following factors:
  - a. Municipal City experience will be based on client lists including government size and number of governmental clients;
  - b. Fair and reasonable price (section 2254.003 of the Texas Government Code);
  - c. Completeness of bid;
  - d. Audit quality will be based on peer review and reports;
  - e. Guarantee of a draft for Council review by January 31<sup>st</sup> after completion of field work;
  - f. Guarantee of final annual report for February council meeting after receipt of draft report. Council meetings are the third Tuesday of each month at 3:00 P.M.
2. Any exceptions to the proposal are to be clearly indicated on a page entitled, "Exceptions To Proposal". Any changes or deletions that alter the intent of the RFP may be grounds for the City of Horseshoe Bay to disregard and reject the proposal.
3. Upon award, the successful proposer will designate in writing an individual to be the official contact person for all correspondence and the firm shall be responsible for training and communicating the terms of this agreement to employees of the firm.
4. The final appointment of an accounting firm shall be made by the City of Horseshoe Bay City Council. The successful proposer shall be required to enter into a contract which incorporates all of the points in the completed RFP.

## **REQUIREMENTS TO BE ADDRESSED IN PROPOSAL**

### **1. Firm Background, Principal Officers, and Prior Experience**

Firm Qualification and Experience. This section should state:

- a. Size of the firm;
- b. Size of the firm's governmental audit staff;
- c. If the firm is local, regional, national, or international;
- d. Location of the office from which the work on this engagement is to be performed;
- e. Number and nature of the professional staff to be employed in this engagement on a full-time basis; and
- f. Number and nature of the staff to be so employed on a part-time basis.
- g. Number and percentage of clients who have achieved the GFOA Certificate of Achievement for Excellence in Financial Reporting in 2016.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising of the joint venture or consortium should be separately identified. In addition, joint ventures or consortiums must identify a firm to serve as the principal auditor, and the principal auditor must accept responsibility for resolving all operational and contractual issues with the City.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality review control included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.

Partner, Supervisory, and Staff Qualifications and Experience. The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors, and specialists, who will be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Texas. The firm also should provide information on the governmental auditing experience of each person, including relevant continuing professional education for the past three years and membership in professional organizations relevant to the performance of this audit.

The firm should provide as much information as possible regarding the number, qualifications, and experience and training (including relevant continuing professional education) of the staff to be assigned specifically to this engagement. The firm should also indicate how the quality of the staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff, and specialists assigned to the City's account in a proposal may be removed from the City's account if those persons leave the firm, are promoted, or are assigned to another office. These persons may also be changed for other reasons but only with the express prior written permission of the City of Horseshoe Bay. However, in either case, the City retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer, provided that replacements have substantially the same or better qualifications or experience.

Similar Engagements with Other Government Entities. For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of five) performed in the last five years that are similar to the engagement described in this request for proposals. These engagements should be ranked on the basis of relativity to the current proposal. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

Additional information should be included to describe the office's capabilities to audit computerized systems.

## **2. Scope and Audit Approach**

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in this RFP. In developing the work plan, reference should be made to such sources of information as the City's budget and related materials, organizational charts, manuals, programs, and financial and other management information systems.

Proposers will be 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. Type and extent of analytical procedures to be used in the engagement;
- e. Approach to be taken to gain and document an understanding of the City's internal control structure;
- f. Approach to be taken in determining laws and regulations that will be subject to audit test work; and
- g. Approach to be taken in drawing audit samples for purposes of tests and compliance.

The proposal should also identify in this section any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the City.

The work plan submitted should include time estimates for the financial audit work.

A separate statement of the firm's approach to and understanding of the provision of technical assistance and advice concerning accounting and auditing issues that may arise during the course of the audit should be included. In addition, a discussion of the firm's approach to the level and amount of the Finance staff support necessary to complete the work as outlined in the proposal should be included.

### **3. Proposed Schedule**

Comment on the firm's ability to meet the timelines indicated in the RFP. The proposer should provide any recommended changes to the schedule that might be required to enhance the timelines and quality of the engagement.

### **4. Other References**

Describe recent local and regional office auditing experience similar to the type of audit requested and give the name and telephone numbers of client officials responsible for three of the audits listed. These references would be in addition to those listed in the paragraph titled – *Similar Engagements*.

### **5. Additional Data and Other Information**

Since data not specifically requested must not be included in the foregoing proposals sections, give any additional information considered essential to the proposal in this section. If there is no additional information to present, state in this section, "There is no additional information we wish to present."

### **6. Concluding Remarks**

This section shall contain any final remarks or elaboration which the proposer believes is important for a clear understanding of the proposed services and/or the proposer's capabilities.

### **7. Cost Proposal**

Payment for all services other than those described as "special projects" will be made based on an all-inclusive, not-to-exceed estimate, with progress payments as mutually determined to be appropriate. The contract will be a three-year contract with the option to renew annually thereafter.

The compensation proposal should be documented by including a cost proposal form and submitting it to the City. As provided for by the State Board of Public Accountancy rules, the contract award will not necessarily be made to the firm that provides the lowest cost proposal but rather to the firm that submits the most responsive proposal meeting the City's requirements.

On the cost proposal form the firm should include for each of the three years the following information:

- a. Total estimated hours and all-inclusive, not-to-exceed cost estimate for the financial audit; break down total estimated hours by staff level (e.g. partner, manager, senior, etc.) and show billing rates for each level;
- b. In addition, the firm should include proposed billing rates by staff level for any special projects that the proposer may be requested to perform during the initial year of the contract. The special billing rates may be adjusted annually for inflation using the Consumer Price Index of the current fiscal year.

## **8. Manner of Payment**

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 dollar cost fee estimate. Interim billings shall cover a period of not less than a calendar quarter. Final billing should be presented no later than 30 days following council approval of the annual report.

## **DESCRIPTION OF THE ENTITY**

### **1. General**

The City of Horseshoe Bay operates under a Home Rule Charter with a Council-Manager form of government. The governing body, the Horseshoe Bay City Council, is composed of a Mayor elected by a majority vote and five Council members elected "at-large" by a plurality vote. The Mayor and Council members serve staggered two-year terms. The Mayor and Council are responsible for casting a vision and direction for the City, enacting legislation in the form of ordinances and resolutions, adopting and amending budgets, making appointments to board and commissions, and determining the general policies of the City.

Services provided by the City under general government functions include police protection, fire protection, street maintenance, building inspection and code enforcement services, planning and zoning, and operation and maintenance of the trails and parks. The City operates its own water distribution system and sewer collection and treatment system.

Copies of the City's previous Annual Financial Reports are available on the City's website at <http://www.horseshoe-bay-tx.gov/560/Financial-Transparency>. These documents should give the proposer additional information on the City's reporting entity, fund structure, accounting and budgeting policies, agency funds, etc.

## **2. Organization of the City's Finance Department**

The City's accounting function falls under the Finance Director, who reports directly to the City Manager, and is responsible for all financial accounting and reporting activities of the City. The Finance Director has overall responsibility for the following functions: accounting for all funds, payroll, accounts payable, accounts receivable, fixed assets, municipal court, utility accounts, and grant reporting.

## **3. Organization of the Accounting Function**

The accounting records of the City are maintained by the Finance Department. Although maintenance of the accounting records is centralized within the Finance Department, the City's accounting function is partially decentralized. Each department has the authority to initiate and submit all requests for cash disbursements for processing by the Finance Department.

## **4. Audit Assistance**

Finance Department staff will prepare all workpapers necessary to prepare the financial statements for the individual funds. These workpapers will include trial balances, journal entries with back-up documentation, fixed assets and depreciation schedules, etc. Personnel will be available to the auditors for the purpose of pulling invoices, directing auditors to the proper files, or for explaining procedures. Prepared by Client's (PBC's) can be provided; however, these should be coordinated with the Finance Director. The auditor should provide the Finance Director an advance listing of the required forms.

## **NATURE OF SERVICES REQUIRED**

### **1. Scope of Work to be Performed**

The auditor shall express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles.

The auditor is required to audit the general purpose financial statements, consisting of the combined statements for all fund types and account groups. However, the auditor is to provide an "in-relation-to" statement on the combining and individual fund financial statements and supplementary schedules based on the auditing procedures applied during the audit of the general purpose financial statements. The auditor is not required to audit the statistical section of the report; this section will remain unaudited but should be reviewed.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

The scope of the City's annual audit, or any of the other work for which the proposer is engaged, can only be broadened with the express written consent of the City. The City will have the right to negotiate fees for work related to broadening the scope of any work for which the proposer is engaged.

From time to time, the City may request the auditor to perform other audits and reviews not specifically provided for under this section. If such a request is made, the auditor shall submit, at the City's request, a separate proposal for completing the engagement, along with a proposed fee schedule. The City reserves the right to contract any additional audits or reviews from whomever they choose.

## **2. Auditing Standards to be Followed**

To meet the requirements of this RFP, the audit shall be performed in accordance with generally accepted auditing standards as set form by the American Institute of Certified Public Accountants and the Governmental Accounting Standards Board, the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards, and any other requirements form like regulatory agencies.

## **3. Reports to be Issued**

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue all reports currently required by agencies such as the American Institute of Certified Public Accountants, the Governmental Accounting Standards Board, the Government Finance Officers Association of the United States and Canada, and any other regulatory agencies. The auditor shall likewise issue any other reports subsequently required by these or similar entities following completion of the financial audit.

In the required reports on internal controls, the auditor shall communicate any reportable conditions found during the audit to the City Manager. 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. Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditor shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls. The report on compliance shall include all instances of noncompliance.

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of indications of which they become aware to the City Manager.

#### **4. Preparation of CAFR**

The City of Horseshoe Bay does not prepare a CAFR.

#### **5. Special Considerations**

The proposal shall include any additional costs associated with the firm submitted the City's annual financial report to the Government Finance Officers Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting Program. It is anticipated that the auditor may be required to provide special assistance to the City to meet the requirements of that program.

#### **6. Regulation Updates and CPE Provisions**

The auditor shall provide the City Manager with information relating to regulation changes that would affect the City and its operation. Examples would be timely notification of changes proposed or initiated by GASB, FASB, or GAO. Some of the updates should provide the client with CPE credit opportunities. This training can be in either the current issues or simply general training. It should provide the client with opportunities to remain current or increase knowledge in governmental auditing/accounting or related areas.

### **OTHER INFORMATION AND REQUIREMENTS**

#### **1. Audit Work Timing**

Preliminary work prior to closing accounts must occur and be concluded prior to September 1<sup>st</sup> of each year. Completion of fieldwork should be accomplished no later than December 31<sup>st</sup>. Fieldwork will be considered complete when all adjustments have been made by the auditor.

Date for draft report presentation shall be no later than January 31<sup>st</sup> after completion of the respective year after the end of fieldwork. At that same time a draft management letter should be delivered. Final presentation shall be no later than the February council meeting. Council meetings are the third Tuesday of each month at 3:00 P.M.

#### **2. Working Papers**

The firm selected shall maintain all working papers for a period of at least five years after the fiscal year end. The auditor shall make available all original working papers for examination by authorized representatives of Federal and State agencies, the City's Finance Director, and any other entity to which access has been granted by the City's Finance Director. In addition,

the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing financial significance.

### **CALENDAR OF EVENTS**

March 26, 2018 – Advertise Proposal in local newspapers and post to City of Horseshoe Bay website.

April 20, 2018 – Responses due by 2:00 P.M. at Horseshoe Bay City Hall.

April 23, 2018 – Open and acknowledge proposals at 10:00 A.M. at Horseshoe Bay City Hall.

May 15, 2018 – Review recommendation with the City of Horseshoe Bay City Council and award contract.