

**CITY OF WASECA, MN  
REQUEST FOR PROPOSALS  
FOR PROFESSIONAL AUDIT SERVICES**

**I. INTRODUCTION**

**A. General Information**

The City of Waseca (City) is requesting proposals from qualified firms of certified public accountants to audit its annual financial statements for the City's fiscal years ending December 31, 2017, 2018 and 2019 with the option of auditing its financial statements for each of the three (3) subsequent fiscal years. These audits are to be performed 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.

Inquiries about the engagement or the request for proposal should be addressed to:

Shelly Kolling  
Finance Director  
[financedirector@ci.waseca.mn.us](mailto:financedirector@ci.waseca.mn.us)  
(507) 835-9746

To be considered, three (3) copies of a proposal must be received at:

508 South State Street  
Waseca, Minnesota 56093

No later than 4:00pm on Monday, November 27, 2017.

The City of Waseca reserves the right to reject any or all proposals submitted.

Following a review of the proposals a recommendation for award will be made by the Finance Director to the City Council. A final decision for award of the work will be made by majority vote of the City Council.

During the evaluation process, the City reserves the right to request additional information or clarifications from proposers, or all corrections or errors or omissions. Firms may be requested to make oral presentations as part of the final evaluation process.

The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm 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 firm selected.

It is anticipated the selection of a firm will be completed by December 5, 2017. Following the notification of the selected firm it is expected a contract will be executed between both parties following the December 5, 2017 City Council meeting.

## **B. Term of Engagement**

The City's goal is a three-year engagement understanding with additional one-year engagements subject to the annual review and the satisfactory negotiations of terms (including a price acceptable to both the City and the selected firm) and the concurrence of the City Council.

## **II. SERVICES REQUESTED**

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

The City will retain the accounting firm to audit its financial processes, records and statements in order to express an opinion on the fairness of the presentation of its government-wide, governmental major fund, business-type major fund and aggregate remaining non-major governmental and business-type fund financial statements in conformity with generally accepted accounting principles.

The auditor shall also perform tests and procedures involving required supplementary information required by the Governmental Accounting Standards Board (GASB) as mandated by generally accepted auditing standards. The City also desires the firm to review the presentation of the statistical section of the financial statements insofar as current generally accepted auditing standards require such review.

The auditor is not required to audit the schedule of expenditures of federal awards if such audit is not triggered by the threshold of funding received by the City for the fiscal period.

The audit firm shall prepare the CAFR and submit the Annual City Financial Reporting form required by the OSA.

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

To meet the requirements of this request for proposals, the audit shall be performed in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits set forth in the General Accounting Office's (GAO) *Government Auditing Standards* (2003 revision), the provisions of the federal Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the minimum procedures for auditors of local governments prescribed by the Office of the State Auditor pursuant to Minn. Stat. Section 6.65. Financial statements will be held to the standards promulgated by the Government Accounting, Auditing and Financial Reporting edition effective for the year being audited.

### **C. Reports to be Issued**

The auditor shall prepare the following reports at the completion of the audit:

1. The Independent auditor's reports on the basic financial statements.
2. Independent auditor's report on internal controls over financial reporting based on an audit of financial statement performed in accordance with *Government Auditing Standards*.
3. Independent auditor's report on compliance based on an audit of financial statements performed in accordance with Government Auditing Standards.
4. Independent auditor's report on compliance pursuant to the Minnesota Legal Compliance Audit Guide for Local Government.
5. Independent auditor's report on internal control over compliance for major federal programs in accordance with OMB Circular A-133, if applicable.
6. Independent auditor's report (opinion) on compliance with requirement applicable to each major federal program in accordance with OMB Circular A-133, if applicable.
7. A summary of auditor's results and a schedule of findings and questioned costs, if any, required by OMB Circular A-133, if applicable.

In the required Report on Internal Controls, the auditor shall communicate any reportable conditions found during the audit. Reportable condition(s) shall be defined using the standards promulgated by the Statements of Auditing Standards (SAS) in effect for the fiscal year being audited.

Non-reportable conditions discovered by the auditors shall be reported in the separate Audit Committee Letter, which shall be referred to in the Report on Internal Controls.

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

### **D. Reporting to the City Council**

Final reporting to the City Council: Auditors will ensure that the partner in charge of the audit and/or the Audit Manager is available to attend public meetings for discussion of the final report should his/her attendance be requested by the City Council.

### **E. Special Considerations**

1. The City will send its Comprehensive Annual Financial Report to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting program.

## **F. 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 three (3) years after the report is issued, 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, upon request, to the City.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matter of continuing accounting significance.

## **III. DESCRIPTION OF THE GOVERNMENT**

### **A. Principal Contact**

The Auditor's principal contact with the City will be the Finance Director, at 507-835-9746, who will coordinate the assistance to be provided by the City to the auditor.

### **B. Background Information**

The City of Waseca was incorporated in 1868, and is organized under the Home Rule Charter in accordance with applicable Minnesota State Statutes. The Council is composed of six members and the Mayor. The City is divided into three specific areas known as wards, and two Council members are elected from each Ward. The Mayor is elected by the voters at large. As the policy-making body of the City, the City Council is responsible for the overall operation of the City; however, the City Council does not become involved in the day-to-day administration. The City Manager is responsible for carrying out the Council's policies and for the administration of all City business.

The City encompasses approximately 6.7 square miles. The City has a population of approximately 9,711 and is the largest City in Waseca County containing nearly half of the County's population.

For 2017, the City has approximately 66 full time employees, a General Fund budget of \$8.3 million with a total budget of approximately \$22 million. City enterprise funds include water, sanitary sewer, surface water and electric utility funds. The City maintains four (4) internal service funds; central garage, property and liability insurance, workers compensation and equipment replacement funds. The City's special revenue funds include economic development related activities and an airport. The City's financial statements include the Economic Development Authority, a discretely presented component unit.

Moody's Investors Service has assigned an Aa3-rating for city debt instruments.

More information about the City, including previous budget documents and annual financial reports, can be obtained on our website at [www.ci.waseca.mn.us](http://www.ci.waseca.mn.us).

### **C. Component Units**

The City is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Standards, Section 2100. The financial statements present the City and its component unit (The Economic Development Authority), an entity for which the government is considered financially accountable. The discretely presented component unit is reported in a separate column in the basic financial statements to emphasize that it is legally separate from the government. The discretely presented component unit has a December 31 year-end.

### **D. Computer Systems**

All financial information and transactions are processed through Caselle Clarity (Civic Systems) software. The software is used for accounts payable, accounts receivable, asset management, cash receipting, general ledger, payroll and utility billing.

## **IV. TIME REQUIREMENTS**

### **A. Selection Schedule**

Proposals sent to invited firms and LMC website	November 6, 2017
Last day for proposals due to the City	November 27, 2017 (4pm)
Proposals reviewed	November 28-Dec 1, 2017
Possible interviews	December 1, 2017
City Council approves award for contract for auditing services	December 5, 2017

### **B. Schedule for the 2017 Fiscal Year Audit**

Detailed Audit Plan: The auditor shall provide the City both a detailed audit plan and a list of all schedules to be prepared by the City no later than December 31, 2017.

Fieldwork: The auditor shall complete all fieldwork by May 31, 2018. A schedule for interim work, fieldwork and draft reports will be determined upon completion of the auditor selection process. A similar time schedule will be developed for audits of future fiscal years.

### **C. Entrance Conferences & Exit Conferences**

At a minimum, the following conferences should be held within reason to the related Fiscal Year End audit schedule.

1. Entrance conference with Finance Director and Finance Technician – December 2017: The purpose of this meeting will be to discuss any potential audit problems and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the auditor.
2. Exit conference with the City Manager and Finance Director – June 2018: The purpose of this meeting will be to summarize the results of the field work and to review results and findings.

A similar meeting schedule will be developed for audits of future fiscal years.

3. Presentation to City Council: This will encompass a brief presentation to the Council during a regular City Council meeting. June or July 2018

#### **D. Date final Report is Due**

The audit firm shall prepare a complete draft report delivered to the Finance Director no later than June 15 for review. During the review period, the auditor should be available for any meetings that may be necessary to discuss the audit reports.

The Finance Department shall assist with preparation of the notes and all required supplementary schedules and statistical data

### **V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION**

#### **A. Finance Department Assistance**

The Finance Department staff and responsible management will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the City as directed by the auditor.

In an effort to contain audit costs, the City will prepare as many audit worksheets and schedules as is practical to reduce work to be performed by the independent auditor. Additionally the auditor will have limited access to the City's software database to perform test and procedures remotely to limit the amount of travel.

#### **B. Work Area**

The City will provide the auditor with reasonable workspace, table and chairs. The auditor will also be provided with access to the internet, telephone, photocopying facilities and a fax machine.

## **C. Report Preparation**

The auditor will prepare the Comprehensive Annual Financial Report (CAFR). The City shall be responsible for reviewing and editing the CAFR prior to final preparation by the City.

## **VI. PROPOSAL REQUIREMENTS**

### **A. General Requirements**

Responses to this request for proposals should include the following information in the order prescribed. Submissions must be received by 4:00 p.m. on November 27, 2017 for a proposal/response to be considered by the City:

- Title Page: Title page showing the request for proposals subject; the firm's name; the name, address and telephone number of the contact person; and the date of the proposal.
- Table of Contents
- Transmittal Letter: A signed letter of transmittal which briefly states the proposers' understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for 60 days.
- Technical Proposal: The Technical Proposal should follow the order set forth in Section VI – B of this request for proposals.
- Dollar Cost Proposal: The Dollar Cost Proposal should follow the order set forth in Section VI – C of this request for proposals
- An executed copy of Proposer Warranties, attached to this request for proposals (Appendix A).

Proposers should send three (3) completed proposal packets to the following address:

Shelly Kolling Finance Director  
City of Waseca  
508 South State Street  
Waseca, Minnesota 56093

### **B. Technical Proposal**

General Requirements: The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City of Waseca in conformity with requirements of this proposal. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposal requirements.

The Technical Proposal should address all the points outlined in the request for proposal. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposal. While additional data may be presented, the following items must be included. They represent the criteria against which the proposal will be evaluated.

Independence: The firm should provide an affirmative statement that it is independent of the City as defined by generally accepted auditing standards of the United States General Accounting Office's Government Auditing Standards (1994).

The firm also should provide an affirmative statement that it is independent of all the component units of the City of Waseca as defined by those same standards.

The firm should also list and describe the firm's professional relationships involving the City or its component unit for the past five years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City written notice of any professional relationships entered into during the period of this agreement.

The firm shall include the number of clients it has assisted in implementing, and that have received award in, the GFOA certification program.

License to Practice in Minnesota: An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in Minnesota.

Firm Qualifications and Experience: The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

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 (3) 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 (3) years with state regulatory bodies or professional organizations.

Partner, Supervisory and Staff Qualifications and Experience: Identify the principal supervisory and management staff, including engagement partner, manager, other supervisors, staff and specialists, who would be assigned to the engagement. Indicate whether each such person is licensed to practice as a certified public accountant in Minnesota. Provide information on the government auditing experience of each person.

Provide information regarding the number, qualifications and experience of specific staff to be assigned to this engagement. Indicate how the quality of the staff, over the term of the engagement, will be assured.

The proposer should identify the extent to which staff assigned to the audit will reflect the City's commitment to Affirmative Action.

Consultants and firm specialists mentioned in response to this request for proposal can only be changed with the express prior written permission of the City, which 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.

Prior Engagements with the City of Waseca: List separately all engagements within the last five years, ranked on the basis of total staff hours, for the City by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed and the name and telephone number of the principal client contact.

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-five) performed in the last five years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours and the name and telephone number of the principal client contact. For city engagements, indicate whether or not the Comprehensive Annual Financial Report received the GFOA Certificate of Achievement for the most recent audit.

Specific 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 Section II of this request for proposal. In developing the work plan, reference should be made to such sources of information as the City's budget and related materials, organization charts, manual, programs, financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- Proposed segmentation of the engagement
- Level of staff and number of hours to be assigned to each proposed segment of the engagement
- Sample size and the extent to which statistical sampling to be used in the engagement
- Extent of use of software in the engagement

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

Identification of Anticipated Potential Audit Problems: The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City.

### **C. Dollar Cost Proposal**

Total All-Inclusive Maximum Price: The dollar cost proposed should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The City will not be responsible for expenses incurred in preparing and submitting the technical proposal or the dollar cost bid. Such costs should not be included in the proposal.

The following information should be included in the Dollar Cost Proposal:

- Name of Firm
- Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City.

A total all-inclusive maximum price for each year of the three (3) year engagement which shall include:

- Rates by partner, specialist, supervisory and staff level multiplied by hours anticipated for each
- A schedule of professional fees and expenses, presented in the format provided in the attachment Appendix B, which supports the total all-inclusive maximum price for each year. The cost of special services should be disclosed as separate components of the total all-inclusive maximum price.
- Out-of-pocket expenses included in the total all-inclusive maximum
- Price and reimbursement rates: All reimbursable expenses by category as included in the total all-inclusive maximum price submitted by the firm.
- Rates for additional professional services: If it should become necessary for City to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract

between City and the firm. Any such additional work agreed to between City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the dollar cost bid.

- Manner of payment: The City expects that 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 proposal. Interim billing shall cover a period of not less than a calendar month. Payment of the final billing will be held by the City pending the delivery of the firm's final reports.

## **VII. EVALUATION PROCEDURES**

### **A. Review of Proposal**

The City reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

### **B. Evaluation Criteria**

Firms meeting the mandatory criteria will have their proposals evaluated for both technical qualifications and price. The selection process will include, but not be limited to, the following criteria:

#### Mandatory Elements

- The audit firm is independent and licensed to practice in Minnesota.
- The firm has no conflict of interest with regard to any other work performed by the firm for the City.
- The firm adheres to the instructions in this request for proposal 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.

#### Technical Quality/Audit Approach

- The firm's past experience and performance on comparable government engagements including preparing CAFR.
- 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 sampling techniques/analytical procedures
- The firm's ability to meet timelines
- Estimated cost of the audit
- Understanding of the requirements of the audit

### **C. Oral Presentation**

During the evaluation process the City may, at its discretion, request firm(s) to make oral presentations. Such presentation will provide each firm with an opportunity to answer

any questions the Finance Director, or designee(s) may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

**D. Right to Reject Proposals**

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the firm selected. The City reserves the right without prejudice to reject any or all proposals.

**E. Disclaimer**

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

**CITY OF WASECA  
PROPOSER WARRANTIES**

- A. Proposer warrants that it is willing and able to comply with State of Minnesota laws with respect to foreign (non-state of Minnesota) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts or omissions of any officers, employees or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Waseca.
- D. Proposer warrants that all information provided in connection with this proposal is true and accurate.
- E. The proposer certifies that it can and will provide and make available at a minimum, all services set forth in Section II, Nature of Services Required.

Signature of Official: \_\_\_\_\_

Name (typed): \_\_\_\_\_

Title: \_\_\_\_\_

Firm: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX B**

**CITY OF WASECA  
SCHEDULE OF PROFESSIONAL FEES AND EXPENSES  
FOR THE AUDIT OF THE 2017 FINANCIAL STATEMENTS**

NOTE: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

	<b>Hours</b>	<b>Standard Hourly Rates</b>	<b>Quoted Hourly Rates</b>	<b>Total</b>
<b>Partners</b>		\$	\$	\$
<b>Managers</b>		\$	\$	\$
<b>Supervisory Staff</b>		\$	\$	\$
<b>Other (Specify)</b>		\$	\$	\$
<b>Subtotal</b>		\$	\$	\$
<b>Out-of Pocket Expenses</b>				\$
<b>Meals and Lodging</b>				\$
<b>Transportation</b>				\$
<b>Other (Specify)</b>				\$
<b>Total All- inclusive Price for 2017 Audit Services</b>				\$ <hr/>

**APPENDIX B**

**CITY OF WASECA  
SCHEDULE OF PROFESSIONAL FEES AND EXPENSES  
FOR THE AUDIT OF THE 2018 FINANCIAL STATEMENTS**

NOTE: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

	<b>Hours</b>	<b>Standard Hourly Rates</b>	<b>Quoted Hourly Rates</b>	<b>Total</b>
<b>Partners</b>		\$	\$	\$
<b>Managers</b>		\$	\$	\$
<b>Supervisory Staff</b>		\$	\$	\$
<b>Other (Specify)</b>		\$	\$	\$
<b>Subtotal</b>		\$	\$	\$
<b>Out-of Pocket Expenses</b>				\$
<b>Meals and Lodging</b>				\$
<b>Transportation</b>				\$
<b>Other (Specify)</b>				\$
<b>Total All- inclusive Price for 2018 Audit Services</b>				\$ <hr/>

**APPENDIX B**

**CITY OF WASECA  
SCHEDULE OF PROFESSIONAL FEES AND EXPENSES  
FOR THE AUDIT OF THE 2019 FINANCIAL STATEMENTS**

NOTE: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

	<b>Hours</b>	<b>Standard Hourly Rates</b>	<b>Quoted Hourly Rates</b>	<b>Total</b>
<b>Partners</b>		\$	\$	\$
<b>Managers</b>		\$	\$	\$
<b>Supervisory Staff</b>		\$	\$	\$
<b>Other (Specify)</b>		\$	\$	\$
<b>Subtotal</b>		\$	\$	\$
<b>Out-of Pocket Expenses</b>				\$
<b>Meals and Lodging</b>				\$
<b>Transportation</b>				\$
<b>Other (Specify)</b>				\$
<b>Total All- inclusive Price for 2019 Audit Services</b>				\$ <hr style="width: 10%; margin: 0 auto;"/>