

**BUDGET & FINANCE COMMITTEE
CITY HALL CONFERENCE ROOM
JUNE 2, 2015
4:45 P.M.**

AGENDA

- I. CALL TO ORDER
- II. CONSENT AGENDA
- III. NEW BUSINESS
 - A. RFP For Auditing Services (page 1)
 - B. 2015 Contracts
 - C. 2016 Budget – 1st Draft will be distributed at the meeting.
- IV. OLD BUSINESS
 - A. Credit Card Payments - Update
- V. INFORMATIONAL
 - A. Next Meeting – Tuesday, July 7, 2015 at 4:45 p.m.
- VI. ADJOURN

*****Please contact Renee Eckerly if you can't attend the meeting.*****

Voting Members: Jean Soine, Belinda Ludwig, Elliot LaBeau, Neil Herzberg, and Renee Eckerly.

This agenda has been prepared to provide information regarding an upcoming meeting of the Paynesville Budget & Finance Committee. This document does not claim to be complete and is subject to change.

BARRIER FREE: All Paynesville Budget & Finance Committee meetings are accessible to the handicapped. Attempts will be made to accommodate any other individual need for special services. Please contact City Hall (320) 243-3714 early, so necessary arrangements can be made.

REQUEST FOR PROPOSALS
FOR
PROFESSIONAL AUDITING SERVICES
SEPTEMBER 2015

City of Paynesville
221 Washburne Avenue
Paynesville, Minnesota 56362-1642

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REQUEST FOR PROPOSALS
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CITY OF PAYNESVILLE REQUEST FOR PROPOSAL

I. GENERAL INFORMATION

The City of Paynesville is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending December 31, 2015, December 31, 2016, and December 31, 2017. These audits are to be performed in accordance with the generally accepted auditing standards and the standards for financial audits set forth in the U.S. General Accounting Office's (GAO) Government Auditing Standards and State Legal Compliance audit requirements.

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

A. Term of Engagement

A single or three-year contract is contemplated, subject to the annual review by the Paynesville City Council and the annual availability of an appropriation.

B. Subcontracting

No subcontracting will be allowed without the express prior written consent of the City of Paynesville.

II. NATURE OF SERVICES REQUIRED

A. General

The City of Paynesville is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal years ending December 31, 2015, December 31, 2016, and December 31, 2017, single audit and TIF District (7) filing.

B. Scope of Work to be Performed

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

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

C. Auditing Standards to be Followed

To meet the requirements of this request for proposal, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the US General Accounting Office's Government Auditing Standards (2015, the provisions of the Single Audit

Act of 1996, the provisions of US Office of Management and Budget (OMB) Circular A-133, and the provisions of the MN Legal Compliance Audit Guide for Local Government (pursuant to MN Statute 6.65).

D. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue the following reports:

1. A report consisting of the Annual Financial Statements and Supplemental Information.
2. Combined and individual enterprise fund statements.
3. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
4. A report on compliance and on internal control over financial reporting based on an audit of financial statements.
5. A report on compliance with applicable laws and regulations.
6. The reports on compliance shall include all instances of noncompliance.
7. Reportable conditions that are also material weaknesses shall be identified as such in the report.
8. Non-reportable conditions discovered by the auditors shall be reported in a separate Letter to Management which shall be referred to in the report(s) on internal controls.

Auditors shall assure themselves that the City Administrator and City Council is informed of each of the following:

- a. The auditor's responsibility under generally accepted auditing standards
- b. Significant accounting policies
- c. Managements judgments and accounting estimates
- d. Significant audit adjustments
- e. Other information in documents containing audited financial statements
- f. Disagreements with management
- g. Management consultation with other accountants
- h. Major issues discussed with management prior to retention
- i. Difficulties encountered in performing the audit
- j. Legal compliance findings
- k. Significant deficiencies
- l. Control deficiencies
- m. Management recommendations
- n. Financial analysis
- o. Update of resolved (and unresolved) issues from prior years

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

E. 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, unless the firm is notified in writing by the City of Paynesville of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees: City of Paynesville, State Auditor, US General Accounting Office (GAO), parties designated by the federal or state governments or by the City of Paynesville as part of an audit quality review process.

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 accounting significance.

III. DESCRIPTION OF GOVERNMENT

A. Principal Contacts

The auditor's principal contacts will be the City Administrator (Renee Eckerly) and Finance Specialist (Belinda Ludwig) who will coordinate the assistance to be provided by the City of Paynesville to the auditor.

B. Background Information

The City of Paynesville is located in Stearns County, Minnesota. The City is approximately 2.28 square miles in area. The most recent official population estimate is 2,422. Paynesville was incorporated on March 18, 1890. The city operates under Minnesota Statutes "Plan A" form of government. The City's governing body consists of a Mayor and four Council members, all elected at large. Council members serve overlapping terms of office.

The City consists of the following departments: Administration, Motor Vehicle, Liquor, Police, Public Works, Water, Sewer and Fire. The city contracts for legal, engineering, and building inspector. The city currently has fourteen full-time employees. Various seasonal and temporary employees supplement the staff from time-to-time. The Fire Department is primarily paid if respond to a fire call, attend a meeting or training.

The City's fiscal year is the calendar year. Tyler Technologies Incode software is used for all financial operations.

An electronic copy of the most recent audit of the City of Paynesville, for the year ending 12/31/14 is available upon request.

C. Pension Plans

The City of Paynesville participates in the following pension plans:
Public Employees Retirement Association of Minnesota
City of Paynesville Fire Relief Association

The city's only post-retirement obligation as defined by GASB 45 is the state-directed health coverage retirement options under MN Statutes Chapter 471.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

July 31, 2015	Request for proposal issued
September 7, 2015	Due date for proposals
October/November	Interviews with selected firms
November/December	City Council selection

B. Schedule for the 2015 Fiscal Year Audit

In December, 2015 a preliminary meeting will be held to discuss any potential audit problems and the interim work to be performed and to develop a schedule for the audit process.

The City of Paynesville will have all records ready for audit and all management personnel available to meet with the firm's personnel in mid-February of 2016. The auditor shall complete all field work by **March 4, 2016**.

The auditor shall have drafts of the audit report(s) and recommendations to management available for review **April 19, 2016**.

City staff will complete their review of the draft reports as expeditiously as possible. It is not expected that this process should exceed two weeks. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the City of Paynesville within ten working days, but not later than one week prior to the exit meeting with the City Council. The exit meeting with City Council will be held no later than the **second Council meeting in May each year**.

City staff and the audit firm may hold a final wrap-up meeting following the Council meeting. This should be held within 30 days following that meeting.

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

V. AUDIT RESPONSIBILITIES

A. City Staff Assistance

City staff will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations is currently done by city staff. If the proposer wishes to handle confirmations, this should be included as an option with the firm's proposal.

B. Work Area and Equipment

The City of Paynesville will provide the auditor with reasonable workspace, table and chairs. The auditor will also be provided with access to a telephone, photocopier/scanner/FAX machine, and an internet connection.

C. Report Preparation

Report preparation and editing shall be the responsibility of the auditor. The City of Paynesville will require an official copy of the final audit report as well as an electronic (i.e. PDF) copy. Ten paper copies shall be produced for the city's use.

D. State Reporting

The auditor shall complete all forms mandated to be sent to the state for reporting purposes.

VI. PROPOSAL REQUIREMENTS

The Proposer shall submit ten (10) originals and an electronic copy of the completed proposal to:

Renee Eckerly, City Administrator
City of Paynesville
221 Washburne Avenue
Paynesville MN 56362
Email: renee@paynesvillemn.com

The proposal shall include:

1. Title Page-- Title page showing the request for proposal subject; the firm's name, address, email, and telephone number of the contact person; and the date of the proposal.
2. Table of Contents
3. Transmittal Letter-- A signed letter of transmittal briefly stating the proposer's 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.
4. Detailed Proposal-- The detailed proposal should follow the order set forth in Sections VII and VIII of this request for proposals.
5. Executed copies of Proposer Warranties (Appendix A).
6. Schedule of Proposed Fees for 2015, 2016 and 2017 audits (Appendix B).
7. A listing of municipalities that the proposer has performed auditing services for in the last year.

The City of Paynesville reserves the right, where it may serve the city's best interest, to request additional information or clarifications from the proposers. At the discretion of the City, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

VII. TECHNICAL PROPOSAL

A. 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 Paynesville in conformity with the requirements of this request for proposal. 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 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 subjects, Item Nos. B through G must be included. They represent the criteria against which the proposal will be evaluated.

B. Independence

The firm should provide an affirmative statement that it is independent of the City of Paynesville as defined by generally accepted auditing standards of the US General Accounting Office's Auditing Standards.

The firm should also list and describe the firm's professional relationships involving the City of Paynesville or any of its agencies 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 of Paynesville written notice of any relevant professional relationships entered into during the period of this agreement.

C. 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.

D. 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 the engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis, the number and nature of the staff to be so employed on a part-time basis, and the number and nature of the staff to be so employed on a temporary basis.

The firm shall also provide information on the results of any federal or state desk 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. The firm should provide a list of government-related references that the City can contact.

E. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partner, managers, other supervisors 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 and overall experience of each person.

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

Engagement partners, managers, other supervisory staff, and specialists may be changed if those personnel leave the firm, are promoted, or are assigned to another office.

The City of Paynesville must be notified in writing if consultants and firm specialists mentioned in response to this request for proposal would be changed. Notification shall be done prior to any such change.

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

F. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (minimum of 3, maximum of 5) performed in the last three 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.

G. 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. The proposal should include sample formats for required reports.

VIII. DOLLAR COST PROPOSAL

A. Total All-Inclusive Maximum Price

The dollar cost proposal 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 audit contract is to include telephone inquiries and other assistance related to the audit and future audits requiring a minimum amount of time.

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

The first page of the dollar cost proposal should include the following information:

1. Name of Firm
2. 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 of Paynesville
3. A total all-inclusive Maximum Price for the 2015, 2016 and 2017 engagements.

The second page of the dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix B) that supports the total all-inclusive maximum price.

Any out-of-pocket expenses including those for firm personnel for its employees shall be included in the total all-inclusive maximum price submitted by the firm.

If it should become necessary for the City of Paynesville to request the auditor to render any additional services to either supplement the services requested in the RFP or to perform additional work as a result of the specific recommendation 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 the City of Paynesville and the firm. Any such additional work agreed to between the City of Paynesville and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the dollar cost proposal.

Progress payments may be made on the basis of hours of work completed during the course of the engagement 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 final billing will be held pending delivery of the firm's final reports. Should the selected auditor not make any deadlines set forth in this proposal, payment shall also be held.

Detail spreadsheets shall be made available that verify the billing for the period billed. An electronic copy would be preferred. Line items that should be shown on the spreadsheet include: service date and time, employee name, rate, time billed, amount billed, description of work performed, and any miscellaneous expenses associated with the audit. Spreadsheet should also include any hours or expenses that are part of the audit but not billed.

IX. EVALUATION PROCEDURES

A. Review of Proposal

The City of Paynesville 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

Proposals will be evaluated using three sets of 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:

1. Mandatory Elements

- a) The audit firm is independent and licensed to practice in Minnesota.
- b) The firm has no conflict of interest with regard to any other work performed by the firm for the City of Paynesville.
- c) The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
- d) The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.

2. Technical Quality

a) Expertise and Experience

- 1) The firm's past experience and performance on comparable government engagements.
- 2) 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.

b) Audit Approach

- 1) Adequacy of proposed staffing plan for various segments of the engagement

- 2) Adequacy of sampling techniques
- 3) Adequacy of analytical procedures

3. Price– Cost will be a factor in the selection of an audit firm. However, price will not be the sole determining factor in the selection process.

C. Oral Presentation

During the evaluation process, the City may, at its discretion, request one or all firms to make an oral presentation. Such presentation will provide firms with an opportunity to answer any questions the Finance Department may have on a firm’s proposal. Not all firms may be asked to make such oral presentation.

D. Right to Reject Proposals

The City of Paynesville reserves the right without prejudice to reject any or all 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 of Paynesville and the firm selected.

APPENDIX A
CITY OF PAYNESVILLE
PROPOSER GUARANTEES

Proposer warrants that it is willing and able to comply with State of Minnesota laws with respect to foreign (non-state of Minnesota) corporations.

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.

Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Paynesville.

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.

Proposer warrants that all information provided in connection with this proposal is true and accurate.

Signature of Official: _____

Name (typed or printed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX B

CITY OF PAYNESVILLE

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE 2015,
2016 AND 2017 FINANCIAL STATEMENTS**

	Hours	2015 Proposed Hourly Rates	2016 Proposed Hourly Rates	2017 Proposed Hourly Rates	Total
Partners					\$
Managers					\$
Supervisory Staff					\$
Other Personnel (Specify)					\$
Subtotal					\$
Other: Report Prep/ Processing					\$
Single Audit Cost (A- 133)					\$
Prepare Report of Fin Stmts & Supp Info					\$
Process State- mandated Reports					\$
Out-of-Pocket Expenses					\$
Meals and Lodging					\$
Transportation/ Mileage					\$
Other (Specify)					\$
Totals for Audit					\$
Option: Handle Confirmations					\$
					\$
Total All-inclusive Price for Audit Services					\$