

CITY OF HEATH

DATE: March 24, 2017
TO: Interested Parties
FROM: Laurie Mays, Director of Finance
SUBJECT: Independent Auditing Services

The City of Heath, Texas (the “City”) is soliciting proposals from qualified firms of certified public accountants to audit the City’s financial statements for the fiscal years ending 2017 through 2021.

All questions and correspondence should be directed to Laurie Mays, Finance Director, at lmays@heathtx.com (972) 961-4896. Contact with the City of Heath, Texas personnel other than Laurie Mays regarding this request for proposal (RFP) should be scheduled through the RFP contacts. Direct contact with the City Council or members of management during the RFP process without following the required protocol may be grounds for elimination from the selection process.

HEATH, TEXAS

**CITY OF HEATH
REQUEST FOR PROPOSAL
FOR
INDEPENDENT AUDIT SERVICES**

DUE DATE FOR PROPOSALS: April 21, 2017 3:00 P.M.

Contact:

Laurie Mays, Director of Finance
200 Laurence Drive
Heath, Texas 75032
972 961-4896

TABLE OF CONTENTS

I. Introduction	4
II. Nature of Services Requested.....	6
III. Time Requirements	10
IV. Assistance to be Provided to the Auditor and Report Preparation	11
V. Proposal Requirements.....	12
VI. Evaluation Procedures	18
VII. Appendix A – D.....	21

I. INTRODUCTION

A. Nature of Request

The City of Heath, Texas, is requesting proposals from independent CPA firms to perform financial audits of the City for the fiscal years ended September 30, 2017 through 2021. In addition, the City may receive sufficient federal and/or state grant revenues in a given year to require that a single audit be performed in accordance with federal government requirements. The winning proposer will be awarded an initial contract of three years with the option of two (2) one-year extensions. It is the City's policy to issue a request for proposal every five years. The City has no mandatory auditor rotation policy.

Laurie Mays, Finance Director, will coordinate the City's working relationship with the independent auditors, and Tara Plexico, Senior Accountant, will assist the auditors on day-to-day contacts during the field work.

Additionally, the following documents can be obtained on our website at <http://www.heathtx.com> under the Finance departmental tab:

- Comprehensive Annual Financial Reports
- Annual Budgets

B. General Information

1. Description of the City

The City of Heath serves an area of 16 square miles located in Rockwall County, Texas. The current population is estimated at 8,800 and Heath has an operating budget of approximately \$16.2 million. The City's fiscal year begins on October 1 and ends on September 30.

The City provides a full range of municipal services. These services include police and fire protection; sanitation services; the construction and maintenance of streets and infrastructure; parks and recreation; water and sewer; planning and zoning; economic development; and general administrative services.

A list of elected officials and key personnel (Appendix A) is attached.

2. Component Units

The component units, Heath Economic Development Corporation (HEDC) and Heath Municipal Benefits Corporation (HMBC) are reported as if they are a part of the City (blended) since their sole purpose is to act on behalf of the City although they are legally separate from the City. The Club Municipal Management District (MMD) is a discreetly presented component unit.

3. Fund Structure

The City's accounting records are maintained in accordance with accounting principles generally accepted in the United States as promulgated by the Government Accounting Standards Board. Accordingly, the City maintains general, special revenue, debt service and capital projects governmental fund types; a fiduciary fund and enterprise funds. For fiscal year ended September 30, 2016, the City reported the following major governmental funds: General Fund, Debt Service Fund, and Capital Project Fund. Additionally, the City's Water and Sewer enterprise fund was reported as a major fund.

4. Budget

The City Manager submits, to the City Council, a proposed operating budget for the fiscal year beginning October 1. The adopted operating budget is legally enacted through passage of an ordinance and represents the proposed fund appropriations. Modifications may be made during the year and approved by Council. Unencumbered appropriations lapse at the end of the fiscal year. Budgeted amounts may be transferred between accounts within a division by the department head or City Manager on a limited basis. The budget, as well as all revenues, appropriations, and encumbrances are recorded in the accounting records.

Approved 2016-2017 expenditure budgets for the City's operating and debt service funds are as follows:

General Fund	\$ 6,289,500
General Debt Service Fund	2,053,000
Water and Sewer Operating Fund	6,721,450
Solid Waste	591,700
Economic Development Corporation	289,750
Municipal Benefits Corporation	285,800

The City currently has 48.95 budgeted FTE positions. This does not include temporary and seasonal staffing.

More detailed information on the government and its finances, as well as a summary of significant accounting policies can be found in the City's Comprehensive Annual Financial Report (CAFR) available online at www.heathtx.com.

5. Accounting Process - Related Systems

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise fund are maintained on the accrual basis.

6. Computer Systems

The City's computer systems are centralized and PC based. The City currently uses Incode software for all applications except for the Department of Public Safety applications which use New World and Netmotion and Public Works which use MyGov.

7. Implementation of Accounting Standards

The City is a "Phase II" government as defined by GASB 34 and will implement new accounting standards by the required implementation date.

8. Internal Audit Function

The City of Heath does not have an internal audit function.

9. Organizational Responsibility for the Accounting Function

The Accounting Division falls under the general supervision of the Director of Finance, who reports to the City Manager. The Finance Department is made up of the following staff:

Senior Accountant	1
Purchasing Agent	1
AP Clerk	1-part-time
Customer Service Clerk	2
Municipal Court Clerk	1-part-time

II. NATURE OF SERVICES REQUESTED

A. Scope of Work to be Performed

For each of the fiscal years covered by the proposal, the audit shall include an examination of the financial statements of all accounts and funds of the City. Such examination shall be made in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants and in accordance with the laws of the State of Texas. These standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The audit shall include examination, on a test basis, of the evidence supporting the amounts disclosed in the basic financial statements.

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

The City also desires the auditor to express an "in relation to" opinion on the fair presentation of its combining and individual fund financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the introductory or statistical sections of the report but will review for reasonableness.

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.

In addition, the City may receive sufficient federal and/or state grant revenues in a given year to require that a single audit be performed in accordance with federal government requirements.

From time to time, the City may request the auditor to perform other audits and reviews or additional work 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 or additional work with whomever they choose.

The auditor's assistance and consultation will be required in implementing new GASB and FASB statements at a date to be determined by the City, even if prior to the required effective date.

Additionally, the auditor will be required to review the City's compliance with requirements of the State of Texas Public Investment Funds Act.

B. Auditing Standards to be Followed

To meet the requirements of this request for proposals, 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 U. S. General Accounting Office's *Government Auditing Standards* (1994), the provisions of the Single Audit Act of 1984 (as amended in 1996) and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the requirements of the State of Texas Single Audit Circular (State Single Audit) in accordance with *Uniform Grants Management Standards* of the State of Texas.

The CAFR will be prepared by the auditor in accordance with the most recently issued Governmental Accounting Auditing and Financial Reporting (GAAFR), and the standards promulgated by the Governmental Accounting Standards Board (GASB), in the format and with the content necessary in the opinion of the auditor and City staff to qualify for the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association of the U.S. and Canada (GFOA).

C. Reports to be Issued

1. Comprehensive Annual Financial Report (CAFR)

A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States is to be issued.

Reports of examination of the financial statements must:

- (a) state the scope of the examination and that the audit was performed in accordance with generally accepted auditing standards, and
- (b) must include an opinion as to whether the statements conform to accounting principles generally accepted in the United States.

2. Management Letter

A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk is to be issued. The management letter shall detail audit findings and recommendations affecting financial statements, internal controls, accounting, data processing systems, legality of actions, other instances of noncompliance with laws and regulations, and any other material matters.

The management letter shall be reviewed in draft form with the Director of Finance in order to determine that the observations reflect an accurate understanding of the City's systems and procedures.

The auditor shall report any significant deficiencies 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 assertions of management in the financial statements. In addition, the auditor shall report significant opportunities for internal control improvements or increased efficiencies requiring action by City management and/or the City Council.

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

3. Single Audit

If a single audit is required, the report on compliance with laws and regulations related to major and non-major federal and state financial assistance programs must include a statement that the examination was conducted in accordance with applicable auditing standards. This report should include an opinion on compliance with specific requirements applicable to major federal and state financial assistance programs. The report should indicate compliance with general requirements applicable to major federal and state financial assistance programs and compliance with laws and regulations applicable to non-major federal and state financial assistance program transactions tested. It should address the internal control structure used in administering federal financial assistance programs. Findings of noncompliance or ineligible expenditures must be presented in sufficient detail for management to clearly understand them.

The schedule of federal financial and state assistance and related auditor's report, as well as the reports on the internal control structure and compliance, will not be included in the CAFR but are to be issued separately.

4. Reporting to the City Council

The audit Partner and/or Manager will present the Comprehensive Annual Financial Report to the City Council at a regularly scheduled meeting no later than February 28th.

D. Special Considerations

The City has earned the Certificate of Achievement for Excellence in Financial Reporting awarded by the GFOA for the past six years. It is the City's objective to retain the Certificate. The auditors shall provide all reasonable assistance and advice to the City to ensure that the Certificate is retained.

The auditor shall have the City's CAFR reviewed by at least one of the firm's GFOA Special Review Committee members prior to its final printing.

The City anticipates it may prepare one or more official statements in connection with the sale of debt securities, which will contain the general purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."

E. Work Paper Retention and Access to Work Papers

All work papers and reports must be retained, at the auditor's expense, for a minimum of five years, 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 the work papers available, upon request, to representatives of federal and state agencies and of the City.

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

F. Conferences

The following conferences are to be conducted with the Director of Finance, Senior Accountant or other City personnel as needed:

1. Entrance conference prior to interim work,
2. Exit conference at conclusion of interim work,
3. Entrance conference at beginning of fieldwork,
4. Progress conferences as requested during fieldwork,
5. Exit conference at end of fieldwork,
6. Conference when draft copy of management letter is prepared, and
7. Presentation to City Council.

III. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates:

Due date for proposals	April 21, 2017 3:00 p.m.
Council approval	May 2017
Selected firm notified (subject to Council approval)	May 2017

B. Schedule for Fiscal Year Audit

1. Fiscal Year 2017 Audit:

Interim work may occur as agreed between the City and audit firm. A detailed audit plan is to be provided to the City at least two months prior to beginning field work. This plan will include a list of all schedules to be prepared by City staff and a list of all audit confirmations that are known to be needed at the conclusion of interim work.

It is anticipated that the City's financial records for FY 2017 and a draft of the basic financial statements will be ready for the auditor's examination beginning November 6, 2017. Fieldwork is to begin in early November and should be completed by mid-December 2017. The auditor shall have drafts of the Comprehensive Annual Financial Report and recommendations to management available for review by January 15, 2018. After City review, a final CAFR will be printed by the auditor in February.

Final reports should be completed and ready for distribution to the City Council no later than February 16, 2018.

2. Future Years' Audits:

The engagement letter for each subsequent years audit should be received by March 31st of each year.

Interim work is to be performed sometime during the months of July through September with completion of all interim work no later than the end of September. The City expects as much advanced notice regarding scheduled audit times as possible.

A detailed audit plan is to be provided to the City at the conclusion of the interim work and at least two months prior to beginning field work. This plan will include a list of all schedules to be prepared by City staff and a list of all audit confirmations that are known to be needed at the conclusion of interim work.

It is anticipated that the City's financial records and a draft of the basic financial statements for the prior fiscal year will be ready for the auditor's examination beginning in early-November. Fieldwork is to begin in early-November and should be completed by mid-December.

Audit staff will prepare a draft copy of the Comprehensive Annual Financial Report for review by both City and audit staff. The auditor will make changes, as needed, to satisfy the requirements of the Certificate of Achievement program. A final CAFR is expected to be printed by the auditor in February of each year. The CAFR and management letter must be presented to the City Council no later than the second regularly scheduled Council meeting in February.

IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department Assistance

The Finance Department staff and responsible management personnel will be available during the audit to assist the auditor by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the City. The City Attorney's staff will be available to provide legal counsel pertinent to the audit.

B. Electronic Data Processing (EDP) Assistance

Any requirements for computer time and/or system documentation will be coordinated through the Director of Finance or Senior Accountant.

C. Prior Audit

BrooksCardiel, PLLC, conducted the audit of the City's financial records for Fiscal Years 2012 through 2016. Once the selection process is complete and the selected firm has been notified, BrooksCardiel, PLLC, will make their work papers available for review at their offices in The Woodlands, Texas.

D. Statements and Schedules to be prepared by the Staff of the City

The City will compile, prepare, and type the letter of transmittal; management's discussion and analysis; and statistical section of the CAFR. The City will also provide the cover. Printing and assembly of the entire report shall be performed by the auditor. The Director of Finance and the auditor will decide at the interim and fieldwork conferences which work papers are to be prepared by City staff. The City shall have closed and balanced all accounts and prepared preliminary work papers, subject to subsequent client and audit adjustments, for all funds to be examined by the auditor.

E. Work Area, Telephones, Photocopying and FAX Machines

The City shall provide the space and facilities necessary for the auditor to conduct the examination. In addition, all information, data, reports, and records necessary for carrying out the work shall be furnished to the auditor, and the City shall cooperate with the auditor in every reasonable way to ensure timely completion of the audit. The auditor will also be provided with access to one telephone line, photocopying facilities and FAX machine.

F. Report Preparation

1. CAFR:

The CAFR will be provided in both a word searchable PDF format and a hardcopy.

The preparation of the financial statements, notes and all required supplementary schedules of the CAFR are the responsibility of the auditor. The audit firm will prepare both the draft and final versions of the CAFR and provide 25 bound copies of the final version. All printing of the CAFR will be the responsibility of the audit firm.

2. Management Letter:

The auditor will prepare and print the management letter, 25 copies of which will be furnished to the City.

3. Single Audit:

If required, the auditor will prepare and print the single audit report, 25 copies of which will be furnished to the City.

V. PROPOSAL REQUIREMENTS

A. General Requirements

1. Submission of Notification of Interest

Firms interested in submitting a proposal must submit by 3:00 p.m. April 21, 2017 their Proposal in the format outlined in the Request for Proposals. Proposals received after 3:00 p.m. April 21, 2017 will not be considered.

2. Inquiries

Request for information about this RFP should be referred to:

Primary
Laurie Mays, Director of Finance
(972) 961-4896
lmays@heathtx.com

Secondary
Tara Plexico, Senior Accountant
(972) 961-4882
tplexico@heathtx.com

3. Submission of Proposals

The following material is required to be received by 3:00 p.m. April 21, 2017 for a proposing firm to be considered:

- a. One (1) original and five (5) copies of the Technical Proposal including the following:

- i. Title Page

Title page showing the request for proposals' subject; the firm's name; the name, address and telephone number of a contact person; and the date of the proposal.

- ii. Table of Contents

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

- iii. 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 it to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for sixty (60) days.

- iv. Detailed Proposal

The detailed proposal should follow the order set forth in Section V. B. (Technical Proposal) of this request for proposals.

- v. Executed copies of Proposer Guarantees and Proposer Warranties, attached to this request for proposals (Appendix B and Appendix C)

- b. The proposer shall submit one (1) original and five (5) copies of the dollar cost bid (as set forth in Section V. C Sealed Dollar Cost Bid) in a separate sealed envelope marked:

**SEALED DOLLAR COST BID
PROPOSAL
FOR
CITY OF HEATH
FOR
PROFESSIONAL AUDITING SERVICES
April 21, 2017**

- c. Proposers should send the completed proposal consisting of the two separate envelopes to the following address:

**CITY OF HEATH
LAURIE MAYS, DIRECTOR OF FINANCE
200 LAURENCE DR.
HEATH, TEXAS 75032**

B. Technical Proposal

1. 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 in conformity with the requirements of this request for proposals. 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 proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS
INCLUDED IN THE
TECHNICAL PROPOSAL DOCUMENT.

The technical proposal should address all the points outlined in the request for proposals (excluding any cost information which should only be included in the sealed dollar cost bid). 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 proposals. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the City as defined by the U.S General Accounting Office's Government Auditing Standards (1994).

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

The firm should also list and describe the firm's professional relationships involving the City or any of its agencies or component units for the past five (5) 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.

3. License to Practice in Texas

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly registered/licensed to practice in Texas.

4. Firm Qualifications and Experience

The proposal 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 and 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.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable. 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 control review 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 (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.

5. 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 would be assigned to the engagement and indicate whether each such person is registered/licensed to practice as a certified public accountant in Texas. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) 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, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement 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. These personnel may also be changed for other reasons with the express prior written permission of the City. However, in either case, the City retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposals 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.

6. Prior Engagements with the City

The firm should 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). For each engagement, the firm should 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.

7. 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 5) 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 total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

8. 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 proposals. In developing the work plan, reference should be made to such sources of information as the City's budget and related materials, 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. Extent of use of electronic data processing 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
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance

9. 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.

10. Report Format

The proposal should include sample formats for required reports.

C. Sealed Dollar Cost Bid

1. Total All-inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. 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 sealed dollar cost bid. Such costs should not be included in the proposal.

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

- a. Name of Firm
- b. 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.
- c. A total All-inclusive Maximum Price for each of the fiscal years (2017 through 2021) of the proposal.

2. Rates by Partner, Specialist, Supervisory and Staff Level Time Hours Anticipated for Each

The second page of the sealed dollar cost bid should include schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix D, part 1), that supports the total all-inclusive maximum price. The cost of special services described in Section II D of this request for proposals should be disclosed as separate components of the total all-inclusive maximum price using the format provided Appendix D parts 2 and 3.

3. Out-of-pocket Expenses Included in the Total All-inclusive Maximum Price and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging and subsistence) will be reimbursed at the rates used by the City for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented in the sealed dollar cost bid in the format provided in the attachment (Appendix D). All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

In addition, a statement must be included in the sealed dollar cost bid stating the firm will accept reimbursement for travel, lodging and subsistence at the prevailing City rates for its employees.

4. Rates for Additional Professional Services

If it should become necessary for the City to request the auditor to render any additional services to either supplement the services requested in this request for proposals 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 the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. 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 bid proposal. Interim billings shall cover a period of not less than a calendar month. Ten percent (10%) will be withheld from each billing pending delivery of the firm's final reports.

VI. EVALUATION PROCEDURES

A. Selection Process

Proposals submitted by April 21, 2017 in response to the RFP, will be reviewed by City staff. Based on this review, interviews with the City Council, may be scheduled with the firms considered to be the best qualified. Interviews will not necessarily be scheduled with all firms responding to the RFP.

In all interviews held with the auditing firm, the proposed audit partner and manager for the City's engagement and the individual who will have on-site responsibility for the audit (if a person other than the partner or manager) should be present.

Final selection of the auditor will be approved by City Council. Although not intended to be all inclusive, following is a list of factors in order of importance which will be considered in making the selection.

1. Extent and quality of the national and local office governmental auditing and accounting experience of the firm, local office and personnel to be involved (i.e., Engagement Team), based on information provided by the firm as well as references of former and present clients, and as evidenced by participation in the GFOA Certificate of Excellence review committee other GFOA, AICPA committees and the standards setting process. (25%)
2. Auditor's ability and willingness to meet the requirements and needs of the City with respect to the audit as outlined in this RFP and as demonstrated in the proposal. (25%)
3. Proven ability of the firm to meet work schedules, as well as existing and future time commitments of persons assigned to the project and ability to communicate effectively with government officials. (25%)
4. Proposed cost as evidenced by billing rates and hours budgeted for each type of position. The sealed dollar cost bid will not be opened until the proposal has been reviewed and scored. The lowest bid will receive the maximum score. Although a significant factor, fees charged may not be the dominant factor. (25%)

The award of any contract will be made to the firm, which in the opinion of the City, is best qualified based on the criteria listed above.

The City realizes that proposing firms may have local government audit and consulting expertise nationally. While this is important, the city is most interested in local government expertise available in the office from which the audit engagement will be managed and primarily staffed.

The contents of the proposal will be considered confidential information by the City but may be subject to open records requests if submitted.

B. Right to Reject

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.

The City reserves the right without prejudice to reject any and all proposals submitted without any obligation or payment for costs incurred by proposing firms. Proposals received late will not be considered. The City reserves the right, where it may serve the City's best interest, to request additional information or clarification from all proposers, to allow corrections of errors or omissions, or to discuss points in the proposal before and after submission, all of which may be used in forming a recommendation. The City reserves the right to waive any and all formalities contained within this request for proposal except for the deadline for filing. Proposals received late will not be considered.

At the discretion of the City, firms submitting proposals may be requested to make oral presentations as part of the 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.

APPENDIX A

CITY OF HEATH, TEXAS

PRINCIPAL OFFICERS

SEPTEMBER 30, 2016

CITY COUNCIL

Brian Berry, Mayor

Barry Brooks, Mayor Pro-Tem

Kevin Lamberth, Council Member,
Place 1

John Main, Council Member, Place 2

Joe Chamberlain, Council Member,
Place 3

Kelson Elam, Council Member, Place 5

Rich Krause, Council Member, Place 6

CITY STAFF

Ed Thatcher, City Manager

Norma Duncan, City Secretary

Laurie Mays, Finance

Andy Messer, City Attorney

Roy Stacy, Municipal Court Judge

Terry Garrett, Department of Public Safety

David Herbert, Public Works

APPENDIX B

PROPOSER GUARANTEES

The proposer certifies it can and will provide and make available, at a minimum, all services set forth in Section II, Nature of Services Requested.

Signature of Official: _____

Name (print): _____

Title: _____

Firm: _____

Date: _____

APPENDIX C

PROPOSER WARRANTIES

Proposer warrants that it is willing and able to comply with State of Texas laws.

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 express prior written permission of the City. Proposer warrants that it is willing and able to meet required dates and report deadlines.

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

Signature of Official: _____

Name (print): _____

Title: _____

Firm: _____

Date: _____

APPENDIX D Part 1

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE FISCAL YEAR 20__ FINANCIAL STATEMENT'S**

	Hours	Standard Hourly Rate	Quoted Hourly Rate	Total
Partners	_____	\$ _____	\$ _____	\$ _____
Managers	_____	_____	_____	_____
Supervisory Staff	_____	_____	_____	_____
Staff	_____	_____	_____	_____
Other (specify)	_____	_____	_____	_____
Subtotal				\$ _____
Total for services described in of the request for proposal (Detail on subsequent schedules)				\$ _____
Out of pocket expenses:				
Meals and Lodging				_____
Transportation				_____
Other (specify)				_____
Total all-inclusive maximum price for Fiscal Year 20__ audit				\$ _____

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.

APPENDIX D Part 3

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE FISCAL YEAR 20__ FINANCIAL STATEMENT'S
SUPPORTING SCHEDULE FOR _____**

	Name of Service			
	Hours	Standard Hourly Rate	Quoted Hourly Rate	Total
Partners	_____	\$ _____	\$ _____	\$ _____
Managers	_____	_____	_____	_____
Supervisory Staff	_____	_____	_____	_____
Staff	_____	_____	_____	_____
Other (specify)	_____	_____	_____	_____
Subtotal				\$ _____
Out of pocket expenses:				
Meals and Lodging				_____
Transportation				_____
Other (specify)				_____
Total price for(Name of Service)_____				\$ _____

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 price.