



**City of Mequon
REQUEST FOR PROPOSALS**

Financial Auditing Services – For the three fiscal years ending December 31, 2020. Two (2) additional periods of one year may be contracted with mutual agreement

Issued: July 5, 2018

**11333 N Cedarburg Rd.
Mequon, WI 53092**

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City of Mequon

Request for Proposals for Professional Auditing Services

The City of Mequon, Wisconsin is soliciting proposals from independent certified public accounting firms to perform a financial audit for the fiscal years ending December 31, 2018 through 2020, subject to annual review. Additional work identified in this Request for Proposal is also solicited and should be part of the all-inclusive response. The three-year term is as contemplated but is subject to the annual availability of an appropriation. Two (2) additional periods of one year may be contracted by mutual agreement

All audits are to be performed in accordance with generally accepted accounting principals as applied to government units and their enterprise activities.

I. Community Background

Mequon is a community possessing a high quality of life with a 2016 population of 24,086. An affluent northern suburb of Milwaukee with an assessed valuation of more than \$4.5 billion; the City was incorporated in 1957 and has experienced considerable land development and population growth in the last 20 years. Covering 47 square miles, Mequon's land area makes it the fourth largest city in Wisconsin.

The City operates under the Mayor-Council form of government with a full time administrator. The Mayor is elected at large for a three-year term. Eight Aldermen are elected by district for overlapping three-year terms. The current Mayor is serving his second term; six Aldermen have served more than two terms. The City has employed the current administrator since January 2015.

II. General Information

All audits should be performed in accordance with generally accepted accounting principles 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, as they may be adopted or amended from time-to-time. These standards are in addition to any other standards that have been adopted by any other regulatory body, as they would apply to governmental entities. All financial reports must be modified as applicable to conform with any and all disclosure requirements, as they become effective and applicable to City operations.

All proposals should be submitted no later than 12:00pm CDT, August 6, 2018 in a sealed envelope(s) marked "Response to City of Mequon REQUEST FOR PROPOSAL for Auditing Services" and shall be addressed to the following:

Thomas W. Watson
Director of Finance and Treasurer
Mequon City Hall
11333 North Cedarburg Rd. 60W
Mequon, Wisconsin 53092

- ◆ Submit seven (7) bound and one unbound copies of the proposal.
- ◆ The selection of the auditor for the City of Mequon will be based upon responses received to the criteria included in this Request for Proposal, along with the proposed quotation for the services rendered.
- ◆ There is no expressed or implied obligation for the City of Mequon to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. The City of Mequon reserves the right to reject any and all of the proposals submitted.
- ◆ At the discretion of the City of Mequon, firms submitting proposals may be required to attend meetings as part of the evaluation process and provide additional information as may be needed.

III. Scope of Work to be Performed

- ◆ The City of Mequon 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 City of Mequon also desires the auditor to express an 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 supporting schedules as part of the Audited Financial Statements. However, the auditor is to provide an "in-relation-to" opinion on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements and the combining and individual fund financial statements and schedules.
- ◆ 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 as they are adopted or amended from time-to-time.

- ◆ The auditor shall be responsible for filing the Annual Financial Report with the State of Wisconsin and all other applicable bodies.

IV. The Annual Audit

- ◆ The audit and subsequent Audited Financial Statements of the City of Mequon shall include audits of all funds.
- ◆ The following funds were maintained by the City as of December 31, 2017:

General	1
Special Revenue	3
Capital Projects	1
Debt Service	1
Trust & Agency	1
Enterprise	2
Fixed Assets	1

- ◆ Total Net Position for all funds totaled approximately \$70.4 million as of December, 2017. The City's FY 2018 Budget for all funds is approximately \$34 million.
- ◆ 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 and the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards as they may be adopted or amended from time-to-time. These standards are in addition to any other standards that have been adopted by any other regulatory body, as they would apply to governmental entities. All financial reports must be modified as applicable to conform with any and all disclosure requirements, as they become effective and applicable to City operations.
- ◆ The financial statements, as well as all notes to the audited financial statements are to be drafted by the proposing audit firm.

V. Financial Reporting

- ◆ The auditing firm shall prepare, type and reproduce at minimum, 25 copies of the audited general-purpose financial statements. In addition, the auditing firm shall provide an electronic copy of the general-purpose financial statements.
- ◆ While final responsibility for the financial statements rests with the City of Mequon, the City expects that the auditors possess and demonstrate sufficient expertise in governmental accounting and reporting to assure that all reporting requirements are met. The auditor shall express an unqualified opinion, if warranted, on all funds, and accept “in relation to” responsibility for supplemental data. If an unqualified opinion cannot be expressed, the auditor shall bring such matter to the attention of the City of Mequon before issuance of the Report to determine whether or not the problems leading to a qualification can be resolved.

VI. Management Letter

- ◆ The auditor shall communicate in a letter to management any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.
- ◆ Nonreportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on compliance and internal controls. The report on compliance shall include all material instances of noncompliance. All nonmaterial issues of compliance shall be reported in a separate management letter, which shall be referred to in the report on compliance.

VII. 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 in conformity with the requirements of this Request for 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 Proposals Requirement.

The Technical Proposal should address all the points outlined in the Request for Proposal excluding any cost information which should only be included in the dollar cost 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, all required information must be responded to and included. They represent the criteria against which the proposal will be evaluated.

◆ Qualifications of Proposing Firm

Provide the following data concerning the proposing office audit team that would conduct the audit of the City's financial statements:

1. Provide average staff experience, in years, for your professional staff.
2. Describe prior governmental auditing experience with municipal clients similar to the City of Mequon.
3. Describe the firm's experience working with clients in preparing CAFR's that were awarded GFOA's Excellence in Financial Reporting certificate. How many clients won the award the previous fiscal year?
4. Describe the firm's commitment to a formal program of continuing professional education.
5. 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 five- (5) 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 five (5) years with state regulatory bodies or professional organizations.

◆ Single Audit Act

A special financial and compliance audit may be required to be performed in order to comply with the Single Audit Act of 1984, as amended. Basic statements required would include, but not be limited to, the following:

1. Independent Auditors Report re: compliance with U.S.G.A.O. Standards for Audit of Governmental Organizations, Programs, Activities, & Functions.
2. Compliance with requirements applicable to non-major federal financial assistance programs.
3. Auditor's report on compliance at the general-purpose financial statement level based on Comptroller General of the United States Governmental Auditing Standards.
4. Independent auditors report on general compliance requirements as described in the OMB Compliance Supplement for Single Audit of State and Local Government.
5. Report on internal account controls at the general-purpose financial statement level.

◆ Accounting System and Basis of Accounting

The City of Mequon utilizes a computerized accounting system for its operations. All governmental funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting.

◆ Profile of Proposing Firm

Provide a description of the firm's practice at the proposing office to include at least the following:

1. Membership in professional organizations
2. Longevity of practice
3. Rate of firm growth

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each such person is registered or licensed to practice as a certified public accountant in Wisconsin. Also, provide as much information as possible regarding the number, qualifications, experience and training, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured. Finally, 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.

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 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.

◆ Similar Engagements With Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list all current engagements that are similar to the engagement described in this Request for Proposal, which may be contacted as references. These engagements should be ranked on the basis of total staff hours. Indicate the scope of the work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

◆ Service of the proposer

Provide information for the proposing office regarding the firm's ability to conduct the audit with a minimum of disruption to the staff of the City.

1. Provide the number of professional auditing staff regarding employees by employee classification as follows:
 - ◆ Audit Staff Employee Classification
 - ◆ Total Number of Staff on the Engagement
 - ◆ Number of C.P.A.'s on the Engagement
2. Describe your firm's general audit plan or approach in conducting the audit including a general list of documents required to be submitted by the City and the need to establish pre-planning or engagement meetings. In addition, the auditor will provide the City with all confirmation letter formats to be prepared by the City and mailed by the auditor in conjunction with the audit.

The City will be providing the auditor with source documents that will support entries posted for all balance sheets as well as statements of revenue and expenditure/expense. The auditing firm will be required to prepare all schedules and workpapers.

◆ Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed in order to perform the services required in the 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, organizational charts, manuals and programs, and financial and other management information systems.

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

1. Proposed segmentation of the engagement;
2. Level of staff and number of hours to be assigned to each proposed segment of the engagement;
3. Sample size and the extent to which statistical sampling is to be used in the engagement;
4. Extent of use of personal computer software in the engagement, including report generation;
5. Type and extent of analytical procedures to be used in the engagement;
6. Approach to be taken to gain and document an understanding of the City's internal control structure;
7. Approach to be taken in determining laws and regulations that will be subject to audit test work; and
8. 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.

The proposal should include sample formats for required reports, and turnaround time of drafts, if appropriate.

VIII. Assistance to be Provided to the Auditor and Report Preparation

◆ Services of the City of Mequon

The audit firm should, to the extent possible, provide a summary of the work effort expected by the City. It should list in some detail what will be expected of the City as a whole and individual staff members in particular in order to produce the final reporting. In addition, if there are work elements that are generally performed by the auditor that can be performed by the City, please identify them. If such a transfer of services can be quantified in the form of a reduction in the level of fees for the engagement, please so note. The City reserves the right to consider such a transfer of services as an option when evaluating quote submittals.

◆ City Assistance

City staff and responsible management personnel 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 upon guidance from the auditor.

◆ Work Area, Telephones, Photocopying and FAX Machines

The City will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to telephone lines, photocopying facilities and FAX machines, subject to the following restriction that these facilities must be used for the purpose of the engagement.

◆ Report Preparation

Report preparation, editing and printing of the Audited Financial Statements along with all other reporting and filings requested within this Request for Proposal, shall be the responsibility of the auditor.

IX. Compensation

The City shall appoint an auditor for a period of three years with the possibility of two (2) additional periods of one year, with mutual agreement. However, the City reserves the right that nothing shall preclude it from securing proposals for sooner than the three year period.

Pursuant to this Request for Proposal, provide the all-inclusive maximum fees, including direct and indirect costs, out-of-pocket expenses and completion dates for the following services:

1. Comprehensive annual audit, including the preparation of a management letter and the presentation of the audit report and management letter before the Finance/Personnel Committee by June 1st.
2. Audit in compliance with the Single Audit Act of 1984, as amended from time to time, if required, along with other applicable reporting conditions.

Also, please indicate the billing rate per hour, by employee classification, for any additional services which may be required.
3. Preparation and filing of the Annual Financial Report as required by the State of Wisconsin.

The audit firm shall not be reimbursed for any travel, per diem, photocopying, telephone bills or other related expenses of the audit.

The City 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 this Proposal.

X. *Submission of Proposals*

The dollar cost proposal should be placed in a separate sealed envelope marked "Dollar Cost Proposal." Please include the name of your firm on the envelope. The dollar cost proposal should include the following information:

- a. Name of firm, the name, address and telephone number of the contact person and the date of proposal;
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the proposal, and authorized to sign a contract with the City; and
- c. A Total all-inclusive Maximum price for the 2018 engagement and each of the four subsequent years.

- d. Rates by Partner, Specialist, Supervisory and Staff Level times hours anticipated for each level.

- ◆ 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 Proposal, or to perform additional work as a result of the specific recommendations included in any report issued as part of this engagement, then 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 dollar cost proposal.

- ◆ Manner of Payment

Progress payments will be made on the basis of task completion during the course of engagement in accordance with the firm's dollar cost proposal.

Completion of Field Work	25%
Completion of Draft Financial	50%
Delivery of Final Reports	25%

XI. Evaluation of the Proposer

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 agreement between the City and the firm selected.

The City reserves the right without prejudice to reject any or all proposals.

The evaluation of a professional service requires more than a comparison of service fees. It is the intention of the City staff to evaluate the following criteria of each proposing firm:

- ◆ Costs of Services

Your proposal should indicate the fixed fee charges for each of the five years under proposal. This should be broken down by an amount for the basic CAFR and the amount for the Single Audit Report (as the Single Audit work may not be necessary in all years).

- ◆ Experience

The firm's experience will be evaluated along three criteria:

1. The firm's governmental experience.
2. The local office's governmental experience.
3. The proposed audit team's governmental experience. In your proposal please **include resumes of all the critical staff** involved in the audit. Also, please **include a listing** of your firm's personnel that currently participate as **GFOA reviewers** for the certificate program (include only the resume of the individual that you would anticipate reviewing the City's CAFR). Finally, **include in your proposal a listing of municipal references**. Please **limit this list to current audit clients or clients that you have worked with within the last two years**. Specifically, this reference list **should include three current audit clients** (including the names of client contacts) **that are in receipt of the GFOA certificate award**.

◆ Professional Affiliations

The firm will also be evaluated on its maintenance and affiliations with professional organizations and societies and its standing in the local community.

◆ Audit Scope

Evaluations of audit scope include the size and make-up of the proposed audit team and the forecasted time for completion of the audit.

XII. Time Requirements

◆ Proposal Calendar

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

Request for Proposal issued	July 5, 2018
Due date for Questions, Clarifications	July 19, 2018
Due date for Proposals	August 6, 2018

◆ Notification and Contract Dates

The selected firm will be notified after official Council action at an open meeting to be scheduled subsequent to the due date for the Request for Proposal.

◆ Date Audit May Commence

The City of Mequon will have all records ready for audit and all management personnel available to meet with the firm's personnel as of the third week in February of each year following the end of the engagement year (12/31).

◆ Schedule for the 2018 Fiscal Year Audit

A similar time schedule will be developed for audits of future fiscal years if the City exercises its option for additional audits.

The auditor should complete each of the following no later than the dates indicated. Both parties reserve the right to modify the dates noted upon consultation with the other:

1. Interim Work
The auditor shall complete interim work by December 1st of the engagement year.
2. 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 by December 1st of the engagement year.
3. Fieldwork
The auditor shall complete all fieldwork by March 7th following the engagement year to be audited.
4. Draft Reports
The auditor shall have a draft of the audit report and recommendations to the City Administrator and Director of Finance available for review by May 1st following the engagement year subject to audit.
5. Final Report
The auditor shall bind all appropriate statements, notes and schedules for the Audited Financial Statements and submit twenty five (25) copies to the City by June 1st following the engagement year subject to audit. In addition, the auditor shall provide an electronic copy of the same.
6. It is recognized that circumstances may arise that may delay these dates. However, in no case, should the Final Report be submitted to the City later than June 8th following the engagement year subject to audit.

7. Filing of the Annual Financial Report as required by the State of Wisconsin by May 1st following the engagement year subject to audit.

XIII. Other Relevant Data

- ◆ The Common Council shall authorize the City Administrator to retain the services of the successful proposer. It is estimated that a resolution to recommend and retain the firm will be presented at the Council meeting scheduled to occur on September 11, 2018.
- ◆ The auditing firm shall be required to prepare and submit 15 copies of the management letter to the City. In addition, the auditing firm shall provide an electronic copy of the management letter. No additional compensation shall be paid for the copies of the management letter.
- ◆ Audit workpapers shall remain the custody of the auditor and shall be retained at the auditor's expense. However, City staff, under the control of the Director of Finance, shall be given access to the workpapers and shall have the right to copy such workpapers pertaining to the last audit worked on by the firm. This provision shall remain in force for up to four (4) years after the last completed audit. In addition, the auditor shall respond to the reason date inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.
- ◆ In the event of a merger of the audit firm with another firm of certified public accountants or in the event of the admission of a new partner to the firm, this agreement will be transferable to the successor firm with the approval of the City.
- ◆ Employees of the firm shall not be construed as employees of the City of Mequon but rather as independent contractors.
- ◆ Authorization for the audit firm to commence any audit work shall be required in the form of an engagement letter approved by the Director of Finance. Each engagement letter shall include the following:
 1. Funds and account groups to be audited
 2. Purpose of the audit
 3. Billing rate per hour for additional services
 4. Proposed staffing requirements
 5. Other applicable matters

- ◆ The City of Mequon reserves the right to cancel any agreement upon giving the other party thirty (30) days written notice. Procedures by which audits-in-progress are to be completed shall be determined by the City.
- ◆ The agreement for auditing services described constitutes the scope of auditing services to be provided by the firm. However, the agreement shall not be an exclusive one. The City reserves the right to assign similar work to other parties if the City so desires.
- ◆ The audit firm is expected to be available to answer questions throughout the fiscal year on matters relating to the City's accounting system, audit, or general changes that will impact the City's fiscal operations that may be adopted or proposed by advisory boards, associations, or institutes. **If such management services are to be provided only at an additional cost, please note this in your response.**
- ◆ The audit firm should provide an affirmative statement that it is independent of the City, as defined by generally accepted auditing standards. In addition, the firm selected shall give the City written notice of any professional relationships entered into during the period of the agreement that could cause conflict between the auditor and City.
- ◆ Interested proposers who wish prior years' audit reports and management letters should contact Thomas Watson at 11333 North Cedarburg Rd, Mequon Wisconsin 53092 (262) 236-2955, Twatson@ci.mequon.wi.us. The City will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.