



**CITY OF NEWBERG  
REQUEST FOR PROPOSAL  
AUDITING SERVICES**

**NOTICE IS HEREBY GIVEN** by the **CITY OF NEWBERG** that Proposals for ***Audit Services*** will be accepted by Matt Zook, Finance Director at Newberg City Hall, 414 E First Street, PO Box 970, Newberg, Oregon 97132 **until 4:30 PM Pacific Time, March 13, 2019.**

The **proposal** shall be marked: “**Audit Services**”

The **City of Newberg** is seeking proposals from qualified firms of certified public accountants to audit the City's financial statements and provide an opinion on the Comprehensive Annual Financial Report for the fiscal years ending June 30, 2019, 2020, and 2021 with the option of auditing the City's financial statements for two subsequent fiscal years.

Technical questions regarding the project should be directed to Matt Zook at (503) 537-1216.

The **RFP** scope/specifications may be viewed or printed online from the City of Newberg’s website at <https://www.newbergoregon.gov/finance/page/audit-services-request-proposals>

The City reserves the right to select the consultant/provider on the basis of the proposals or to conduct interviews with the highest qualified firms following evaluation and scoring of the proposals. The City also reserves the right to seek clarification of any or all proposals as part of the evaluation process. The City may reject any proposal not in compliance with all prescribed public bidding/proposal procedures and requirements, and may reject for good cause any or all proposals upon a finding of the City that it is in the City's best interest to do so.

Matt Zook  
Finance Director  
PH: (503) 537-1216  
E-MAIL: [matt.zook@newbergoregon.gov](mailto:matt.zook@newbergoregon.gov)

# **AUDITING SERVICES RFP**



## **CITY OF NEWBERG REQUEST FOR PROPOSALS**

### **I. INTRODUCTION**

#### **A. General Information**

The City of Newberg is requesting proposals from qualified firms of certified public accountants to audit its financial statements and provide an opinion on its Comprehensive Annual Financial Report for the fiscal years ending June 30, 2019, 2020, and 2021 with the option of auditing its financial statements for two subsequent fiscal years. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America and the minimum standards for audits of Oregon Municipal Corporations. If a Single Audit is required, the audit is also to be performed in accordance with the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, and U.S. Office of Management and Budget (OMB) *Title 2 CFR, Part 200, Subpart F*.

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

To be considered, five copies of the proposal must be received by the Finance Director, Matt Zook, 414 E First St., Newberg, Oregon, 97132 by 4:30 p.m. on March 13, 2019. Proposals may also be submitted electronically to the Finance Director at [matt.zook@newbergoregon.gov](mailto:matt.zook@newbergoregon.gov) by the same deadline. The City reserves the right to reject any or all proposals submitted.

During the evaluation process, the City reserves the right, where it may serve its best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. 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. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the firm selected.

It is anticipated the selection of a firm will be completed by April 11, 2019. Following the notification of the selected firm, it is expected a contract will be executed between both parties by May 30, 2019.

#### **B. Term of Engagement**

The selected audit firm shall be designated as the City's auditor for a three-year term commencing with the fiscal year ended June 30, 2019 audit. The contract contains an annual renewal clause, which, at the City's option, makes the contract extendable for two one-year periods beyond the initial term. Either party may cancel the contract in writing effective 30 days after noticed is received.

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## II. NATURE OF SERVICES REQUIRED

### A. General

The City is soliciting the services of qualified firms of certified public accountants to audit its financial statements and provide an opinion on its Comprehensive Annual Financial Report for the fiscal years ending June 30, 2019, 2020, and 2021 with the potential to audit the City's financial statements for two subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this RFP.

### B. Scope of Work to be performed

The City desires the auditor to express an opinion on the fair presentation of its financial statements of government activities, business-type activities, each major fund and aggregate remaining fund information in conformity with accounting principles generally accepted in the United States of America.

The auditor is not required to audit the Management Discussion and Analysis which is supplementary information required by the Government Accounting Standards Board. However, the auditor is to apply limited procedures regarding the methods of measurement and presentation of the supplementary information. The auditor is not required to audit data presented in the Statistical Section of the financial report.

The auditor is required to express an opinion on the Required Supplementary Information (budget comparison information for major funds), the combining individual nonmajor fund financial statements and other schedules, and the Schedule of Expenditures of Federal Awards (if applicable) in relation to the basic financial statements taken as a whole based on the auditing procedures applied during the audit of the financial statements.

The City has received the Certificate of Achievement for Excellence in Financial Reporting every year since 1991 except for FY's 2013-14 & 2014-15. It is anticipated that aside from reviewing the report, the auditor will not be required to provide special assistance to the City to meet the requirements of that program.

### 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 contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, U.S. Office of Management and Budget (OMB) *Title 2 CFR, Part 200, Subpart F* if applicable), and the minimum standards for audits of Oregon Municipal Corporations.

### D. Reports to be Issued

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

1. A report on the fair presentation of the financial statements of government activities, business-type activities, each major fund and aggregate remaining fund information in conformity with accounting principles generally accepted in the United States of America.

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2. A report on the internal control structure and other comments and disclosure required by state regulators.
3. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards (if applicable).
4. A report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB *Title 2 CFR, Part 200, Subpart F* (if a Single Audit is required).

In the required reports on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of internal controls, 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. In addition, the following conditions shall be considered reportable:

- Reportable conditions that are also material weaknesses shall be identified as such in the report.
- Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls.

The reports on compliance shall include all instances of noncompliance required to be reported. All nonmaterial instances of noncompliance shall be reported in a separate management letter.

## E. Errors and irregularities

Auditors shall be required to make an immediate written report of all errors, irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties:

Newberg City Council  
City Manager  
Finance Director

## F. Professional Services Contract

The selected proposer will enter into a Professional Services Contract with the City and this RFP will become an element of the agreement's "scope of work".

## G. Special Considerations

1. The City of Newberg does not currently anticipate that the City will 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. If the City does issue debt, the auditor shall be required, if requested by the financial advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."

## H. 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

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(3) 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 working papers available, upon request, to the following parties or their designees:

- City of Newberg
- Any state or federal granting agencies
- U.S. General Accounting Office (GAO)
- Parties designated by the federal or state governments or by the City as part of an audit quality review process
- Auditors of entities for which the City is a sub-recipient of grant funds
- 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 THE GOVERNMENT

### A. Organization of City and Principal Contact

The auditor's principal contacts with the City will be Matt Zook, Finance Director, (503) 537-1216, Caleb Lippard, Assistant Finance Director, (503) 537-1242, and Dan Keuler, Senior Accountant, (503) 554-8934, who will coordinate the assistance to be provided by the City to the auditor. A list of key finance staff (see Section I) and related duties is included in this document to assist in planning the audit approach.

### B. Background Information

Newberg is Yamhill County's second most populated city, with a population of 23,795 (based on new Portland State University data). The City covers approximately 5.93 square miles. The City was incorporated in 1889. The City of Newberg is a municipal corporation governed by an elected Mayor and six-member Council who meet on the first and third Monday of each month. The City operates under a council/manager form of government.

The City Manager administers the affairs of the City for the Council and supervises a staff of seven department heads and 163 employees. The City provides a full range of services: police, municipal court, library, planning, building permits and inspection, street maintenance, public works, water, wastewater and stormwater utilities, and economic development.

### C. Fund Structure

The City uses the following fund types in its financial reporting:

<u>Fund Type</u>	<u>Number of Individual Funds</u>	<u>Number with Legally Adopted Annual Budgets</u>
General fund	1	1
Special revenue funds	9	9
Debt service funds	2	2
Capital projects funds	3	3
Enterprise funds	7	7
Internal service funds	2	2
Pension trust funds	1	-
Agency funds	1	-

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## D. Budget

The City prepares its budgets on a basis consistent with generally accepted accounting principles (modified accrual) and Oregon Revised Statutes. The City's 2018-19 FY budget is approximately \$96 million.

## E. Pension Plans

The City participates in the Oregon Public Employees Retirement System.

The City also contributes to a single-employer defined benefit retirement plan covering a number of full-time employees who are not participants in OPERS.

## F. Other Post-Employment Benefits

The only other post-employment benefit offered to employees is that retirees are allowed to continue, at the retirees' expense, coverage under the group health insurance plan of the City until age 65. This creates an implicit subsidy under the provisions of GASB 75.

## G. Component Units

The City of Newberg is not a component unit of any other entity, nor does it have any component units.

## H. Joint Ventures

The City of Newberg does not participate in joint ventures with other governments.

## I. Magnitude of Finance Operations

The Finance Department is headed by Matt Zook, Finance Director, and consists of 9 employees. The principal functions performed and the number of employees assigned to each are as follows:

<u>Function</u>	<u>Number of Employees</u>
Assistant Finance Director	1
Senior Accountant	1
Accounts Receivable Clerk	1
Accounts Payable/Payroll Clerk	1
Utility Billing Clerk	2
Municipal Court	2

## J. Computer Systems

The City is currently using Springbrook Software for financial reporting. The City of Newberg uses the following modules to record financial transactions:

General Ledger  
Accounts Payable  
Payroll  
Purchase Orders

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Utility Billing  
Cash Receipts  
Accounts Receivable

These modules are integrated and are reconciled monthly to the general ledger.

## K. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters can find the last five years on the City's website at: <https://www.newbergoregon.gov/finance/page/annual-financial-reports>. The City will use its best efforts to make prior audit reports and supporting work papers available to proposers to aid their response to this RFP.

## L. Prior Year Audit Fee

The audit fee for FY 2017-18 was \$31,780 for the City of Newberg. The City's 2017-18 Comprehensive Annual Financial Report and 2018-19 Budget are available on the City's website at: <https://www.newbergoregon.gov/finance>

## 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:

Request for proposal published	February 20, 2019
Due date for proposals	March 13, 2019
Interviews of Finalists	Week of April 1, 2019

### B. Notification and Contract Dates

Selected firm notified	April 11, 2019
Council approval	May 6, 2019
Contract date	May 30, 2019

### C. Date Audit May Commence

The City will have all records ready for audit and all management personnel available to meet with the audit firm's personnel in the month of October 2019.

### D. Schedule for the 2018-19 Fiscal Year Audit (A similar time schedule will be developed for audits of future fiscal years)

The auditor should complete each of the following no later than the dates indicated.

1. Interim Work. The auditor shall complete interim work by July 31, 2019.

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2. Fieldwork. The auditor shall complete all fieldwork by October 31, 2019.

3. Draft Reports. The auditor shall have drafts of the audit reports and recommendations to management available for review by the City by November 15, 2019.

4. Review of Comprehensive Annual Financial Report. The auditor shall complete the review of the Comprehensive Annual Financial Report by November 30, 2019.

## **End of Field Work**

Exit conference with Finance Director and key finance staff to summarize the results of the field work and to review significant findings and recommendations.

## **E. Date Final Report is Due**

City Finance Staff shall provide financial statements, notes and all required supplementary schedules [and statistical data] by October 31, 2019. The auditor shall review the Comprehensive Annual Financial Report and provide all recommendations, revisions and suggestions for improvement to the Finance Staff by November 15, 2019. It is anticipated that the final Comprehensive Annual Financial Report will be issued by November 30, 2019.

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

### **A. Finance Department and Clerical Assistance**

The Finance Department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations.

### **B. Statements and Schedules to be prepared by the Staff of the City**

City staff will prepare all statements and schedules necessary for the auditor to perform the audit and review the Comprehensive Annual Financial Report.

### **C. Work Area, Telephones, Photocopying and Fax Machines**

The City will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to required telephone lines, wireless access, photocopying facilities and fax machines.

### **D. Report Preparation**

Report preparation, editing, final report collation and printing shall be the responsibility of the City.

## **VI. PROPOSAL REQUIREMENTS**

### **A. General Requirements**

#### **1. Submission of Proposals**

The following material is required to be received by March 13, 2019 for a proposing firm to be considered:



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a. 5 copies of the Proposal to include the following:

i. Title Page

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

ii. Table of Contents

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 90 days.

iv. Detailed Proposal

a. The detailed technical proposal should be presented as follows:

1. General Requirements
2. Independence
3. License to Practice in State of Oregon
4. Firm Qualifications and Experience
5. Partner, Supervisory and Staff Qualifications and Experience
6. Similar Engagements with Other Government Entities
7. Specific Audit Approach
8. Identification of Anticipated Potential Audit Problems
9. Identification of New Accounting or Audit Pronouncements
10. Report Format

b. The proposer shall include in the proposal a dollar cost bid for the FY 2018-19 audit and also a dollar cost bid for audits in FY 2019-20 and FY 2020-21 as well as estimates for the two year extension option, and additional cost, if any, for a Single Audit.

c. Proposers should send the completed proposal to the following address:

City of Newberg  
Matt Zook, Finance Director  
P.O. Box 970  
Newberg, Oregon 97132  
[matt.zook@newbergoregon.gov](mailto:matt.zook@newbergoregon.gov)

## **B. Technical Proposal**

1. General Requirements

The purpose of the Technical Proposal is to demonstrate the qualifications, competency and capacity of the firms seeking to undertake an independent audit of the City in conformity with the requirements of this RFP. 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 requirements of the RFP.

The Technical Proposal should address all the points outlined in the RFP. The Proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the RFP. While additional data may be presented, items Nos. 2 through 9 must be included. They represent the criteria against which the proposal will be evaluated.

## **2. Independence**

The proposer should provide an affirmative statement that it is independent of the City as defined by the *Government Auditing Standards* issued by the Comptroller General of the United States.

## **3. License to Practice in State of Oregon**

An affirmative statement should be included that the proposer and all assigned key professional staff are properly licensed to practice in the State of Oregon. Proposer should also indicate which staff are licensed municipal auditors in the State of Oregon.

## **4. Firm Qualifications and Experience**

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

The proposer 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 proposer 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 proposer shall provide information on the circumstances and status of any disciplinary action taken or pending against the proposer during the past three (3) years with state regulatory bodies or professional organizations.

## **5. Partner, Supervisory, and Staff Qualifications and Experience**

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 person is registered or licensed to practice as a certified public accountant in the State of Oregon. 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.

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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. 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 permission of the City. However, in either case, the City retains the right to approve or reject replacements.

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

## **6. Similar Engagements with Other Government Entities**

For the proposer'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 RFP.

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.

## **7. Specific Audit Approach**

The proposal should set forth a work plan to perform the services required in Section II of this request for proposal, including an explanation of the audit methodology to be followed. In developing the work plan, reference should be made to such sources of information as 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:

- 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. Approach to be taken in drawing sample size and the extent to which statistical sampling is to be used in the engagement
- d. Type and extent of analytical procedures to be used in the engagement
- e. Approach to be taken to gain and document an understanding of the City's internal controls
- f. Approach to be taken in determining laws and regulations that will be subject to audit test work

## **8. 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.

## **9. Identification of New Accounting and Audit Pronouncements**

The proposal should identify any new accounting pronouncements and audit requirements expected to be implemented in the next 3 years and any additional audit fees that will be assessed in implementing these pronouncements and requirements.

## **10. Report Format**

The proposal should include sample formats for required reports.

### **C. Cost Bid**

1. Total All-Inclusive Maximum Price for FY 2018-19, FY 2019-20 and FY 2020-21 audits and an estimate for the cost of the two year optional extension, including additional cost for Single Audit (if applicable).

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

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

The cost bid should include a schedule of professional fees and expenses that supports the total all-inclusive maximum price.

3. Out-of-pocket expenses to be included in the total all-inclusive maximum price and reimbursement rates

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 RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the City and the firm. Any such additional work agreed to between City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the cost bid.

5. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course

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of the engagement and out-of-pocket expenses incurred in accordance with the proposer's dollar cost bid proposal. Interim billing shall cover a period of not less than a calendar month.

## **VII. EVALUATION PROCEDURES**

### **A. Sub-committee**

The appointed sub-committee will make a recommendation to the full City Council for auditing services.

### **B. Review of Proposals**

The City will use a point formula during the review process to score proposals. Firms with an unacceptably low technical score will be eliminated from further consideration. After the technical score for each firm has been established, the cost will be evaluated and additional points will be added to the technical score based on the price bid.

The City reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether or not that proposal is selected.

### **C. 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 following represent the principal selection criteria that will be considered during the evaluation process.

#### **1. Mandatory Elements (20%)**

- a. The audit firm is independent and licensed to practice in the State of Oregon.
- b. The audit manager or partner assigned to do the audit must be a Licensed Municipal Auditor in the State of Oregon.
- c. The firm adheres to the instructions in this RFP 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 (40%)**

##### **a. Expertise and Experience**

- i. The firm's past experience and performance on comparable government engagements.
- ii. 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.

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iii. The firm's past experience with single audit compliance.

b. Audit Approach

- i. Adequacy of proposed staffing plan for various segments of the engagement
- ii. Adequacy of sampling techniques
- iii. Adequacy of analytical procedures

3. Price (40%)

Price will be considered after other criteria have been evaluated.

D. Oral Presentations

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

E. Final Selection

The City Council will consider the selection of a firm based upon the recommendation of the sub-committee to provide auditing services for the City. It is anticipated that a firm will be selected by April 11, 2019, with final Council approval on May 6, 2019. Following notification of the firm selected, it is expected a contract will be executed between both parties by May 30, 2019.

F. Right to Reject Proposals

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

CITY OF NEWBERG FINANCE  
P.O. BOX 970  
NEWBERG, OREGON 97132