CITY OF PRESCOTT
REQUEST FOR PROPOSALS
FOR PROFESSIONAL AUDITING SERVICES

December 16, 2013

201 S. Cortez Street
Prescott, AZ 86303

CITY OF PRESCOTT

Request for Proposals

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I. INTRODUCTION

A. General Information

The City of Prescott is requesting proposals from qualified firms of certified public accountants to audit its financial statements for three fiscal years ending June 30, 2014, 2015 and 2016. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act (as amended in 1996), and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*.

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

Sealed Proposals will be received at the Office of the City Clerk, City of Prescott, 201 S. Cortez Street, Prescott, Arizona 86303, until 2:00 P.M., Thursday, January 30, 2014. All proposals will be opened publicly at 2:00 P.M. on Thursday, January 30, 2014 in the Prescott City Council Chambers, 201 S. Cortez Street, Prescott, Arizona. Any proposal received after 2:00 P.M. on the above stated date will be returned unopened. The outside of the technical proposal envelope shall indicate the name and address of the proposer, shall be addressed to the City Clerk, City of Prescott, at the above address and shall be marked: "PROPOSAL – AUDITING SERVICES" and shall contain two copies of the proposal. The outside of the Dollar Cost Proposal envelope shall be addressed to the City Clerk, City of Prescott, at the above address and shall be marked: "PROPOSAL – DOLLAR COST" and shall contain two copies of the proposal. The City anticipates selecting a firm and awarding a contract by March 25, 2014.

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

The City of Prescott reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted, and confirmed in the contract between the City of Prescott and the firm selected.

B. Term of Engagement

A three-year contract is anticipated.

II. NATURE OF SERVICES REQUIRED

A. General

The City of Prescott is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the three fiscal years ending June 30, 2014, 2015 and 2016. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work

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

Management's Discussion and Analysis and the Required Supplemental Information are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The auditor is expected to perform certain limited procedures regarding the measurement and presentation of the supplemental information.

The auditor is to provide an "in relation to" report on the combining financial statements and supplemental information which is presented for purposes of additional analysis and is not part of the basic financial statements.

The auditor is not required to audit the Introductory and Statistical Section of the report.

The auditor shall be responsible for providing separate audit reports for the two Hassayampa Community Facilities Districts. The Hassayampa Community Facilities Districts were formed by petition to the City Council in 1996 and 1999. The City Council serves as the Board of Directors. The City has no liability for the Districts' debt.

The auditor shall also be responsible for performing procedures required and providing necessary reports for expenditure limitation requirements as stated in ARS 41-1279.07.

The auditor is to perform audit work on the Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and the Compliance Supplement.

C. Auditing Standards

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*, the provisions of the Single Audit Act (as amended in 1996) and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*.

D. Reports

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

1. A report on the fair presentation of the basic financial statements in conformity with generally accepted accounting principles for the City of Prescott and the two Hassayampa Community Facilities Districts.

2. A report on compliance with expenditure limitation requirements imposed by the State of Arizona, as required by ARS 41-1279.07.

3. Other reports as required by the Federal Single Audit Act.

4. Other reports that are required by the State of Arizona under ARS such as Title 28, Chapter 18, Article 2.

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

E. Special Considerations

1. The City of Prescott will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will not be required to provide special assistance to the City of Prescott to meet the requirements of that program.

2. The City of Prescott currently anticipates it will prepare one or more official statements in connection with the sale of debt securities that 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."

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

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the City of Prescott 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 Prescott

U. S. General Accounting Office (GAO)

Parties designated by the federal or state governments or by the City of Prescott as part of an audit quality review process

Auditors of entities of which the City of Prescott is a subrecipient 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. Contact Persons/Organizational Chart/Location of Offices

Key finance department personnel, with offices located at 201 S. Cortez, Prescott, Arizona are:

Mark Woodfill, CPA, Finance Director, (928) 777-1222
mark.woodfill@prescott-az.gov

Melissa Busby, MBA, Senior Accountant, (928) 777-1238
melissa.busby@prescott-az.gov

The auditor's principal contact with the City of Prescott will be Mark Woodfill, who will coordinate the audit.

An organizational chart (Appendix A) is attached.

B. Background Information

The City of Prescott serves an area of 40 square miles with a population of 39,843. The City of Prescott's fiscal year begins on July 1 and ends on June 30.

The City of Prescott provides the following services to its citizens: fire, police, water, sewer, trash collection, recycling, transfer station, parks and recreation, airport, parking garage and golf course.

The City of Prescott has a total annual payroll of $28.7 million covering 506 active employees. The City of Prescott is organized into twelve departments and agencies. The accounting and financial reporting functions of the City of Prescott are centralized.

More detailed information on the government and its finances can be found in the Budget Document and Annual Financial Reports. These documents are available through the city's website: http://www.prescott-az.gov

C. Fund Structure

The City of Prescott and the Hassayampa Community Facilities Districts use the following fund types in its financial reporting:

Fund Type/Account Group	No. of Individual Funds	No. of Legally Adopted Annual Budgets	Community Facilities District
General fund	1	1	0
Special revenue funds	5	5	0
Debt service funds	1	1	1
Capital projects funds	1	1	1
Enterprise funds	5	5	0
Internal service funds	4	4	0
Fiduciary funds	1	0	0

D. Budgetary Basis of Accounting

The City of Prescott prepares its budgets on a basis other than generally accepted accounting principles.

E. Federal and State Financial Assistance

During the fiscal year to be audited, the City of Prescott received financial assistance from or through the following entities:

U. S. Dept. of Housing and Urban Development
U. S. Dept. of Transportation
Federal Emergency Management
Arizona Criminal Justice Commission
Gov. Office of Highway Safety
U.S. Dept. of Agriculture
Arizona State Parks
U. S. Dept. of Homeland Security
U. S. Dept. of Justice
Arizona Dept. of Transportation
Greater Arizona Development Authority
Arizona Historic Preservation Office
Arizona Dept. of Commerce

F. Pension Plans

The City of Prescott participates in the following pension plans:

	Multiple-Employer	
Plan	Cost-sharing	Agent
Arizona Public Safety Personnel System		X
Arizona State Retirement System	X	

Actuarial services for these plans are provided by Gabriel Roeder Smith & Company of Southfield, Michigan, and Buck Consultants Inc. of Pittsburgh, Pennsylvania, respectively.

G. Finance Operations

The finance department is headed by Mark Woodfill, Finance Director, and consists of 15.75 employees. The principal functions performed and the number of employees assigned to each are as follows:

Function	No. of Employees
Budget	1.00
Accounts Payable	1.00
Utility Billing	4.75
Privilege Tax	5.00
Accounting	3.00
Accounts Receivable	1.00
	15.75

H. Computer Systems

Hardware: Windows Server - Intel Pentium

Software: Accounts receivable, accounts payable, general ledger, utility billing, privilege tax, special assessments/community facilities district, fixed assets, budgeting, and Payroll are on Tyler Technologies Munis software.

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 proposals issued 12/16/2013
Due date for proposals.....1/30/2014

B. Notification and Contract Dates

Recommended firm notified.....3/20/2014
Contract date.....3/25/2014

C. Date Audit May Commence

The City of Prescott will have all records ready for audit and all management personnel available to meet with the firm's personnel as of October 13, 2014. Interim work may begin on June 2, 2014.

D. Schedule for the 2014 Fiscal Year Audit (a similar schedule will be developed for audits of future fiscal years)

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

Interim Work - The auditor shall complete all interim work by June 30, 2014.

Detailed Audit Plan - The auditor shall provide the City of Prescott both a detailed audit plan and a list of all schedules to be prepared by the City of Prescott by June 30, 2014.

Fieldwork - The auditor shall complete all fieldwork by October 30, 2014.

Draft Management Letter - The auditor shall have drafts of any recommendations to management available for review by November 20, 2014.

E. Date Financial Statement Report is Due

The Finance Department shall prepare draft financial statements, notes and all required supplementary schedules (and statistical data) by October 30, 2014. The auditor shall provide all recommendations, revisions and suggestions for improvement to the City and draft auditor's report(s) by November 13, 2014.

The Finance Department will complete their review of the draft report as expeditiously as possible. It is not expected that this process should exceed one day. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the City within three working days. It is anticipated that this process will be completed and the final report delivered by November 26, 2014.

The final report and 3 signed copies should be delivered to the City of Prescott at 201 S. Cortez Street, Prescott, AZ 86303.

The auditor shall also be available to present the Comprehensive Annual Financial Report to the City Council at a regular council meeting and respond to any inquires.

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. The preparation of confirmations will be the responsibility of the City of Prescott. To the extent possible, the City of Prescott's accounting department will prepare schedules and other data, reproduce documents, pull documents, etc. It is the city's policy to aid in the audit process where deemed feasible and appropriate to help reduce audit costs.

B. Work Area

The City of Prescott will provide the auditor with reasonable workspace.

C. Report Preparation

Report preparation, editing and printing shall be the responsibility of the City of Prescott.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Any question related to this RFP must be in writing and directed to the person whose name appears below. When requesting a response to your question, you must indicate the page number and title of the area in question. However, the Offeror must not place the RFP subject on the outside of an envelope containing questions since such an envelope may be identified as a sealed proposal and may not be opened until after the official RFP due date and time.

Any doubt as to the requirements of this RFP or any apparent omission or discrepancy should be presented to the City. The City will then determine the appropriate action necessary, if any, and issue a written amendment to the RFP. ***ORAL STATEMENTS OR INSTRUCTIONS WILL NOT CONSTITUTE AN AMENDMENT TO THIS RFP.***

All questions must be received by January 17, 2014. Late questions will not be considered.

Inquiries concerning the request for proposals must be made to:

Melissa Busby, Senior Accountant
201 S. Cortez Street
Prescott, AZ 86303
(928) 777-1238
melissa.busby@prescott-az.gov

2. Submission of Proposals

The following material is required and must be received by 2pm on January 30, 2014, for a proposing firm to be considered:

a) A Technical Proposal including the following:

(1) 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.

(2) Table of Contents

(3) Transmittal Letter

A signed letter of transmittal that briefly states the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer.

(4) Detailed Proposal

The detailed proposal should follow the order set forth in Section VI B of this request for proposals.

(5) Executed copies of Proposer Guarantees and Proposer Warranties attached to this request for proposals (Appendix B)

b) The proposer shall submit an original dollar cost proposal for the City of Prescott and an original dollar cost proposal for the Hassayampa Community Facilities Districts in a separate sealed envelope marked as follows:

SEALED DOLLAR COST PROPOSAL FOR CITY OF PRESCOTT
AND COMMUNITY FACILITIES DISTRICT
FOR PROFESSIONAL AUDITING SERVICES
(DATE)

c) Proposers should send the completed proposal consisting of the two separate envelopes (one envelope for the technical and one envelope for the dollar cost) to the following address:

Office of the City Clerk
City of Prescott
Prescott, AZ 86303

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 of Prescott 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 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 proposals. While additional data may be presented, the following subjects, items 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 of Prescott as defined by generally accepted auditing standards as set forth in the U. S. General Accounting Office's Government Auditing Standards.

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the City of Prescott 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 of Prescott written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in Arizona

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

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 Arizona. 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 the staff over the term of the agreement will be assured.

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

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 of Prescott. However, in either case, the City of Prescott 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 of Prescott, 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. 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 rated 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, 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 of Prescott'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;

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL COMPONENT OF THE PROPOSAL

c) Sample sizes and the extent to which statistical sampling is to be used in the engagement;

d) Extent of use of EDP 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 of Prescott's internal control structure;

g) Approach to be taken in determining laws and regulations that will be subject to audit test work; and

h) Approach to be taken in drawing audit samples for purposes of tests of compliance.

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 of Prescott.

C. Sealed Dollar Cost Proposal

1. Total All-inclusive Maximum Price

One price for City of Prescott and a separate price for the Hassayampa Community Facilities Districts. The dollar cost proposal must be submitted in a separate envelope from the technical proposal.

The sealed dollar cost proposal 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 proposed is to contain all direct and indirect costs including all out-of-pocket expenses.

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

The first page of the sealed dollar cost proposal 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 proposal and authorized to sign a contract with the City of Prescott.

c) A Total All-inclusive Maximum Price for City of Prescott and a Total All-inclusive Maximum Price for the Hassayampa Community Facilities Districts for the fiscal year 2014, 2015, and 2016 engagements.

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

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

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 of Prescott for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented in the sealed dollar cost proposal in the format provided in the attachment (Appendix C). All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

By submitting a proposal, the proposer certifies that the firm will accept reimbursement for travel, lodging and subsistence at the prevailing rates for employees of the City of Prescott.

4. Rates for Additional Professional Services

If it should become necessary for the City of Prescott 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 of Prescott and the firm. Any such additional work agreed to between the City of Prescott 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 proposal.

5. Invoices and Payment Terms.

Periodic progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost proposal. Interim billings shall cover a period of not less than one calendar month.

All interim and final invoices for services rendered shall be submitted to: Melissa Busby, City of Prescott, 201 S. Cortez, Prescott, AZ 86303 for approval prior to payment by the City of Prescott.

The City of Prescott will make payment within 30 days of receipt of a proper invoice for interim and final billings, provided that the billing has been approved by the city. Ten percent (10%) will be withheld from each billing pending delivery of the firm's final reports.

In addition, a summary statement in the following format will be provided with each invoice:

Original Contract Amount		$$$$$
Plus/minus Change Orders		$$$$$
Total Adjusted Contract Amount		$$$$$
Work Completed to Date	$$$$$	
Less Previous Invoices	$$$$$	
Less Retainage (10%)	$$$$$	
Equals: Balance due this Invoice		$$$$$
Balance Remaining on Contract		$$$$$

VII. EVALUATION PROCEDURES

A. 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

   a) The audit firm shall be certified public accountants holding a valid certification in the State of Arizona.

   b) The auditor must meet the independence requirements of the American Institute of Certified Public Accountants including the provisions of Interpretation 10 of Rule 101 of the AICPA Code of Professional Ethics and the independence requirements of Government Auditing Standards.

   c) The audit firm's professional personnel have received adequate continuing professional education within the preceding two years. The senior accountant in charge of the fieldwork shall be a certified public accountant.

   d) The audit organization and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of Government Auditing Standards issued by the Comptroller General of the United States.

   e) The audit organization shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by Government Auditing Standards.

   f) The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.

   g) The firm has no conflict of interest with regard to any other work performed by the firm for the City of Prescott.

   h) The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.

2. Technical Qualifications

   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.

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

Although cost is a significant factor, it will not be the dominant factor. Cost will be given more importance when all of the other evaluation criteria are relatively equal. The general approach is to identify all qualified, responsive proposers and then award the audit to the lowest proposer in that group.

B. 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.

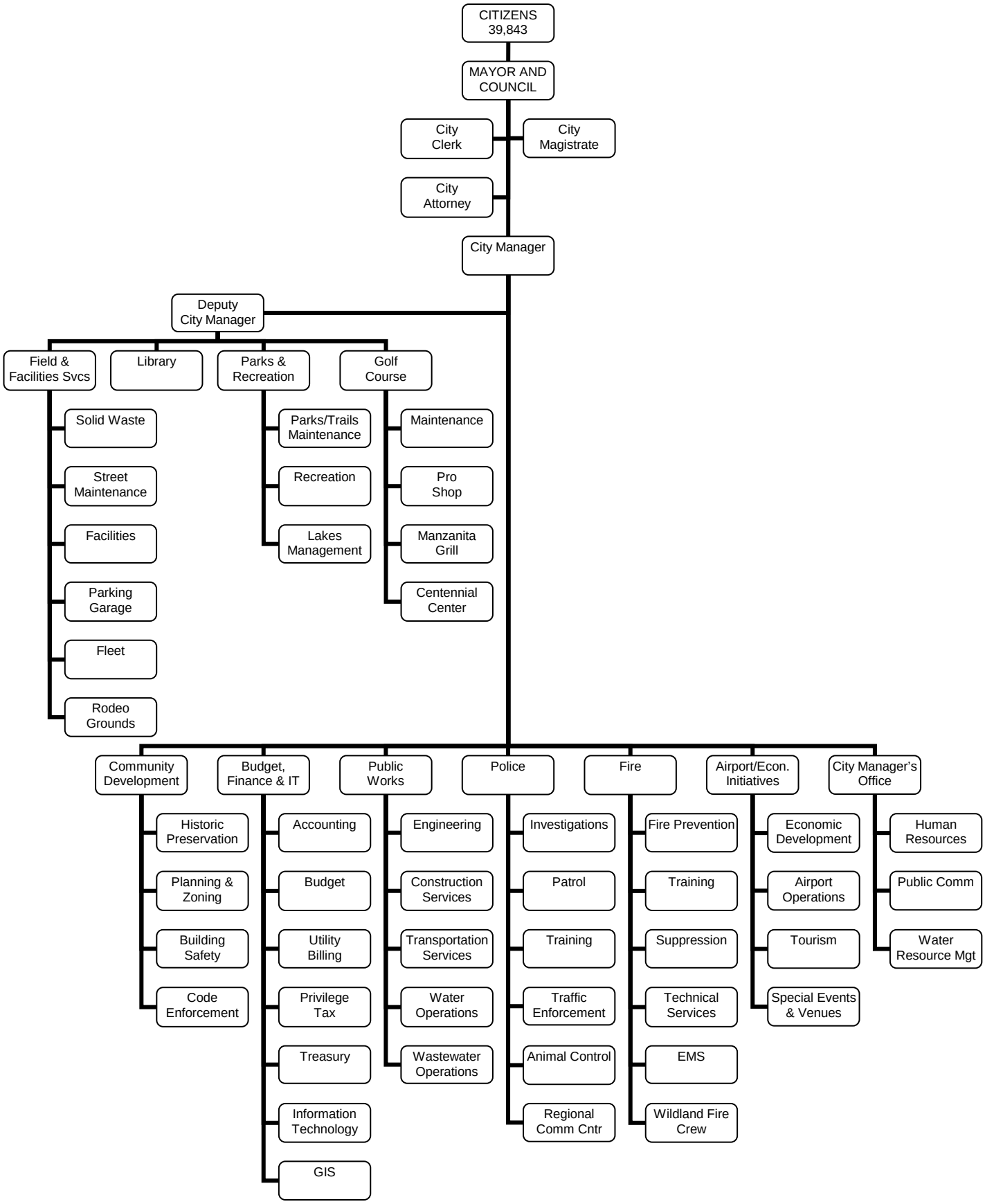
C. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Prescott and the firm selected.

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

APPENDIX A

City of Prescott Organizational Chart – FY2014



APPENDIX B
PROPOSER GUARANTEES
AND WARRANTIES
Part 1

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

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

C. Proposer warrants that it shall procure and maintain the following minimum insurance coverage for the duration of the contract:

1. Errors and omissions liability insurance with limits of no less than $1,000,000 per occurrence/$2,000,000 annual aggregate, for the willful or negligent acts or omissions of any officers, employees or agents thereof.

2. Workers' compensation insurance with statutory limits.

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

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

F. Proposer warrants the following by indicating yes or no to the following questions:

<u>Yes</u> - <u>No</u>

☐ ☐ **1.** Has the City of Prescott or other governmental entities incurred costs as a result of contested change order (s) from the Proposer?

☐ ☐ **2.** Has the City of Prescott or other governmental entities been involved in litigation relative to contract performance with the Proposer?

☐ ☐ **3.** Has the Proposer failed to meet bid specifications or time limits on other contracts?

☐ ☐ **4.** Has the Proposer abandoned a contract or refused to perform without legal cause after submitting a bid?

☐ ☐ **5.** Has the Proposer had bidding errors or omissions in two or more bid submissions within a thirty-six month period?

☐ ☐ **6.** Has the Proposer failed to perform or performed unsatisfactory in two or more contracts within a thirty-six month period.

☐ ☐ **7.** Does the Proposer have adequate equipment, personnel and expertise to complete the proposed contract?

☐ ☐ **8.** Does the Proposer have a record of safety violations in two or more contracts within a thirty-six month period?

APPENDIX B
PROPOSER GUARANTEES
AND WARRANTIES
Part 2

☐ ☐ **9.** Does the Proposer have a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of such a contract or subcontract within a ten-year period?

☐ ☐ **10.** Has the Proposer been convicted of a criminal offense within a ten-year period of embezzlement, theft, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty which might affect responsibility as a municipal contractor?

☐ ☐ **11.** Has the Proposer been convicted of state or federal antitrust statues within a ten-year period arising out of submission of bids or proposals?

☐ ☐ **12.** Has the Proposer been disbarred or otherwise discharged by another governmental entity?

If you answered "yes" to Items 1-6 or 8-12 or answered "no" to Item 7, please attach a full explanation to this questionnaire.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Firm FEI Number _____

Firm's Arizona CPA State License Number: _____

Date: _____

APPENDIX C
PART 1 OF 3

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE FY 2014
FINANCIAL STATEMENTS

City of Prescott

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners		$	$	$
Managers				
Supervisory Staff				
Staff				
Other (specify):				
Out-of-pocket expenses: Meals and lodging				
Transportation				
Other (specify):				
Total all-inclusive maximum price for the FY 2014 audit				$

Hassayampa Community Facilities Districts

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners		$	$	$
Managers				
Supervisory Staff				
Staff				
Other (specify):				
Out-of-pocket expenses: Meals and lodging				
Transportation				
Other (specify):				
Total all-inclusive maximum price for the FY 2014 audit				$

APPENDIX C
PART 2 OF 3

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE FY 2015
FINANCIAL STATEMENTS

City of Prescott

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners		$	$	$
Managers				
Supervisory Staff				
Staff				
Other (specify):				
Out-of-pocket expenses: Meals and lodging				
Transportation				
Other (specify):				
Total all-inclusive maximum price for the FY 2015 audit				$

Hassayampa Community Facilities Districts

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners		$	$	$
Managers				
Supervisory Staff				
Staff				
Other (specify):				
Out-of-pocket expenses: Meals and lodging				
Transportation				
Other (specify):				
Total all-inclusive maximum price for the FY 2015 audit				$

APPENDIX C
PART 3 OF 3

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE FY 2016
FINANCIAL STATEMENTS

City of Prescott

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners		$	$	$
Managers				
Supervisory Staff				
Staff				
Other (specify):				
Out-of-pocket expenses: Meals and lodging				
Transportation				
Other (specify):				
Total all-inclusive maximum price for the FY 2016 audit				$

Hassayampa Community Facilities Districts

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners		$	$	$
Managers				
Supervisory Staff				
Staff				
Other (specify):				
Out-of-pocket expenses: Meals and lodging				
Transportation				
Other (specify):				
Total all-inclusive maximum price for the FY 2016 audit				$

APPENDIX D

Anticipated Draft version of the
PROFESSIONAL AUDITING SERVICES CONTRACT

This Agreement made this ____ day of _____, 2014, by and between the CITY OF PRESCOTT, a municipal corporation of the State of Arizona, hereinafter referred to as "City" and , hereinafter referred to as "Auditor".

City and Auditor agree as follows:

ARTICLE ONE
RIGHTS AND DUTIES OF AUDITOR

(a) City does hereby engage Auditor as a certified public accountant to audit its financial statements for the three fiscal years ending June 30, 2014, 2015 and 2016. These audits are to be performed in accordance with the provisions set forth in the City's Request for Proposals attached herewith as Exhibit A and with the Proposal prepared by the Auditor, attached herewith as Exhibit B.

(b) Auditor will perform the audit in accordance with generally accepted auditing standards and will include tests of the accounting records of the City and other procedures Auditor considers necessary to enable Auditor to express an unqualified opinion that the financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. Auditor will provide City every reasonable opportunity to resolve accounting or other issues to the satisfaction of both the City and the Auditor prior to any decision to issue an opinion that is other than unqualified.

(c) Auditor's procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. City understands that it will be asked to provide certain written representations from its attorneys and certain other written representations about the financial statements and related matters.

(d) Auditor will examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements and will use their professional judgment about the number of transactions to be examined and the areas to be tested. Auditor will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Auditor is not required to perform a detailed examination of all transactions. Auditor and City understand that there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcation, may exist and not be detected by the Auditor. Auditor's responsibility is limited to the period covered by its audit and does not extend to matters that might arise during any later periods for which the Auditor is not engaged to audit the City's financial statements.

(e) Auditor will advise City about appropriate accounting principles and their application. City and Auditor understand that the audit is not specifically designed and cannot be relied on to disclose significant deficiencies in the design or operation of the internal control structure. If, during the course of the audit, Auditor becomes aware of such deficiencies or ways in which management practices can be improved, Auditor will advise City in writing.

(f) Auditor shall complete the services for each fiscal year as set forth in the City's Request for Proposals and the Proposal prepared by the Auditor, attached hereto as Exhibits "A" and "B".

(g) Auditor shall perform those services and scope of work as more particularly set forth in the City's Request for Proposals, attached hereto as Exhibit "A" and made a part hereof.

(h) In the event of a discrepancy between this Agreement and Exhibits "A" and "B", the following order of priority shall be followed: This Agreement shall control over Exhibits "A" and "B"; and Exhibit "A" shall control over Exhibit "B".

ARTICLE TWO
RIGHTS AND DUTIES OF CITY OF PRESCOTT

(a) City will provide Auditor with the basic information required for the audit and will remain responsible for the accuracy and completeness of that information. The City is responsible for the financial statements and the maintenance of adequate records and related internal control structure policies and procedures, the selection and application of accounting principles and the safeguarding of assets.

(b) City 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 shall be the responsibility of the City. The City shall prepare the Comprehensive Annual Financial Report, Schedule of Federal Financial Assistance and Expenditure Limitation Report. Report preparation, editing and printing shall be the responsibility of the City.

(c) Identifying and ensuring that the City of Prescott complies with laws, regulations, contracts, and agreements, including grant agreements, are the responsibility of City management. Although the Auditor will perform tests of the City's compliance with applicable laws and regulations the objective of the audit will not be to provide an opinion on overall compliance and the Auditor will not express such an opinion.

(d) City shall provide Auditor with reasonable workspace, desks, chairs and telephones.

ARTICLE THREE
DURATION OF CONTRACT

This agreement is for the audits of the Comprehensive Annual Financial Reports of the City for the fiscal years ending June 30, 2014, 2015 and 2016 and shall commence on the date provided herein and shall terminate on December 31, 2016, or when Auditor completes the services referred to in Article One, whichever date is earlier.

ARTICLE FOUR
COMPENSATION AND EXPENSES

City shall pay Auditor, and Auditor agrees to accept, in full compensation for Auditor's services, the total sum of $ for the fiscal year ended June 30, 2014, the total sum of $ for the fiscal year ended June 30, 2015 and the total sum of $ for the fiscal year ended June 30, 2016. Payment shall be made to Auditor on the basis of hours of work completed during the course of the engagement at the quoted hourly rates. 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 Auditor's final reports. City and Auditor agree that the amounts indicated herein are all–inclusive and no additional payments will be made for out-of-pocket costs incurred. Payment of the total amount provided for in this Article based upon monthly billings shall not relieve Auditor of their obligation to complete the performance of all those services specified in Article One.

ARTICLE FIVE
TERMINATION OF AGREEMENT

The Agreement may be terminated by the City, with or without cause, by giving sixty (60) days written notice. This Agreement may be terminated by the Auditor if the Auditor's independence has changed or if the Auditor believes the engagement poses a significant risk of fraud and the Auditor is not satisfied with the diligence and cooperation from management in investigating the circumstances. In the event of termination, Auditor shall be entitled to only

that proportionate amount of audit fee actually earned based upon the hours of work completed prior to date of termination, but not to exceed the annual cap as set forth in Article Four.

ARTICLE SIX
HOLD HARMLESS

Auditor Agrees to save and hold harmless the City, and any of its departments, agencies, officers or employees from all cost, damage and liability caused by an activity, condition or event arising out of the negligent performance or nonperformance of any provision of this agreement by Auditor, its agents or independent subcontractors. The above cost incurred by the City or any of its departments, agencies, employees or officers shall include, in the event of legal action, court costs and expenses of litigation.

ARTICLE SEVEN
MODIFICATIONS IN WRITING

This Agreement represents the entire and integrated Agreement between the City and the Auditor and supersede all prior negotiations, representations, or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both the City and the Auditor. Written and signed amendments shall automatically become part of the Agreement, and shall supersede any inconsistent provision therein; provided, however, that any apparent inconsistency shall be resolved, if possible, by construing the provisions as mutually complementary and supplementary.

ARTICLE EIGHT
GENERAL PROVISIONS

(a) This Agreement is non-assignable.

(b) Pursuant to A.R.S. Section 38-511, the City of Prescott may cancel this agreement, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the agreement on behalf of the City is, at any time while the agreement or any extension of the agreement is in effect, an employee or agent of any other party to the agreement in any capacity, or a consultant to any other party of the agreement with respect to the subject matter of the agreement. In the forgoing event, the City of Prescott further elects to recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating this agreement on behalf of the City of Prescott from any other party to the agreement arising as a result of this agreement.

(c) Any notices to be given by either party to the other must be in writing and personally delivered or mailed by prepaid postage and certified mail at the following addresses:

City of Prescott
City Manager
201 S. Cortez
Prescott, AZ 86303

With copies to: City of Prescott
Budget and Finance Director
201 S. Cortez
Prescott, AZ 86303

_____, Partner
_____
_____

(d) It is expressly agreed and understood by and between the parties that Auditor is an independent contractor, and as such Auditor shall not become a city employee, and is not entitled to payment or compensation from the City or to any fringe benefits to which other City employees are entitled. As an independent contractor, Auditor further acknowledges that it is solely responsible for payment of any and all income taxes, FICA withholding, unemployment insurance, or other taxes due and owing any governmental entity whatsoever as a result of this

Agreement. As an independent contractor, Auditor further agrees that it will neither hold itself out nor claim to be an officer or employee of the City by reason thereof, and that it will not make any claim, demand, or application to or for any right or privilege applicable to any officer or employee or the City, including but not limited to workmen's compensation coverage, unemployment insurance benefits, social security coverage, or retirement membership or credit.

(e) This Agreement is the result of negotiations by and between the parties. Although the Prescott City Attorney has drafted it, it is the result of negotiations between the parties. Therefore, any ambiguity in this Agreement is not to be construed against either party.

(f) The parties hereto expressly covenant and agree that in the event of a dispute arising from this Agreement, each of the parties hereto waives any right to a trial by jury. In the event of litigation, the parties hereby agree to submit to a trial before the Court.

(g) The parties hereto expressly covenant and agree that in the event of litigation arising from this Agreement, neither party shall be entitled to an award of attorney's fees, either pursuant to the Contract, pursuant to ARS Section 12-341.01(A) and (B), or pursuant to any other state or federal statute, court rule or common law.

(h) The Auditor, with regard to the work performed by it after award and during its performance of this contract, will not discriminate on the grounds of race, color, national origin, religion, sex, disability or familial status in the selection and retention of subcontractors, including procurement of materials and leases of equipment. The Auditor will not participate either directly or indirectly in the discrimination prohibited by or pursuant to Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974, the Age Discrimination Act of 1975, the Americans With Disabilities Act (ADA) (PL 101-336, 42 U.S.C 12101-12213) and all applicable rules and regulations under the ADAand Executive Orders 99-4, 2000-4 and 2009-09 as amended.

(i) The Auditor shall not disclose to any third person any information provided to the Auditor by the City without the express written permission of the City.

(j) (A) The Auditor shall obtain and maintain in effect during the term of, and until final acceptance of all work under this Agreement, a policy or policies of liability insurance with the following coverage:

1) Commercial General Liability – Occurrence Form (if applicable)

Policy shall include bodily injury, property damage, personal injury, broad form contractual liability, and XCU coverage.

General Aggregate	$ 2,000,000
Products – Completed Operations Aggregate	$ 2,000,000
Personal and Advertising Injury	$ 1,000,000
Each Occurrence	$ 1,000,000
Fire Legal Liability (Damage to Rented Premises)	$ 100,000

The policy shall be endorsed to include the following additional insured language:

"The City of Prescott shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Auditor."

2) Professional Liability (Errors and Omissions Liability)

Each Claim	$ 1,000,000
Annual Aggregate	$ 2,000,000

In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Auditor warrants that any retroactive date under the policy shall precede the effective date of this Agreement and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years at the time work under this Agreement is completed.

The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Work of this Agreement.

3) Business Automobile Liability (if applicable) Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.

Combined Single Limit (CSL) $ 1,000,000

(B) City and Auditor waive all rights against each other and their directors, officers, partners, commissioners, officials, agents, sub-contractors and employees for damages covered by property insurance during and after completion of the Services.

(C) All insurance required pursuant to this Agreement must be written by an insurance company authorized to do business in the State of Arizona, to be evidenced by a Certificate of Authority as defined in ARS Section 20-217, a copy of which certificate is to be attached to each applicable bond or binder.

(D) Prior to commencing work under this Agreement, the Auditor shall provide City with evidence that it is either a "self-insured employer" or a "carrier insured employer" for Workers' Compensation as required by ARS 23-901 et seq., or that it employs no persons subject to the requirement for such coverage.

(E) Notice of Cancellation: With the exception of a ten (10) day notice of cancellation for non-payment of premium, any changes material to compliance with this contract in the insurance policies above shall require a thirty (30) day written notice.

(F) Acceptability of Insurers: Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A-VII, unless otherwise approved by the City of Prescott Risk Management Division. All insurance is to be placed with an insurer admitted in the state in which operations are taking place.

(G) Verification of Coverage: Auditor shall furnish the City with certificates of insurance (ACORD form or equivalent approved by the City) as required by this Agreement. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. Please note the contract number on the Certificate.

(k) This Agreement shall be construed under the laws of the State of Arizona.

(l) In the event any provision of this Agreement shall be held to be invalid and unenforceable, the remaining provisions shall be valid and binding upon the parties. One or more waivers by either party of any provision, term, condition or covenant shall not be construed by the other party as a waiver of a subsequent breach of the same by the other party.

(m) No oral order, objection, claim or notice by any party to the other shall affect or modify any of the terms or obligations contained in this Agreement, and none of the provisions of this Agreement shall be held to be waived or modified by reason of any act whatsoever, other than by a definitely agreed waiver or modification thereof in writing. No evidence of modification or waiver other than evidence of any such written notice, waiver or modification shall be introduced in any proceeding.

(n) Nothing in the Agreement shall be construed to give any rights or benefits to anyone other that the City and Auditor.

(o) Pursuant to A.R.S. Sections 35-391.06 and 35-393.06, each Party certifies that it does not have a scrutinized business operation in Sudan or Iran. For the purpose of this Section, the term "scrutinized business operations" shall have the meanings set forth in A.R.S. Section 35-391 and/or 35-393, as applicable. If any Party determines that

another Party submitted a false certification, that Party may impose remedies as provided by law including terminating this Agreement.

PASSED, APPROVED AND ADOPTED by the Mayor and Council of the City of Prescott this _____ day of _____, 2014.

_____
MARLIN D. KUYKENDALL, Mayor

ATTEST:

_____
DANA R. DELONG
City Clerk

APPROVED AS TO FORM:

_____
JON M. PALADINI
City Attorney

Dated this _____ day of _____, 2014.

_____
Partner