

CITY OF SOUTH PORTLAND, MAINE

Request for Proposals # 30-22

ANNUAL FINANCIAL AUDIT SERVICES

The City of South Portland, Maine (the City), which includes the South Portland School Department, is seeking proposals from qualified independent certified public accountants to perform the required external audits for each of the five (5) fiscal years ending June 30 of 2022, 2023, 2024, 2025 and 2026.

All proposals are to be submitted with the enclosed PROPOSAL form and certifications, attached, and are to remain open for thirty days after their opening. Proposals will be accepted electronically until Tuesday, March 22, 2022 at 12:00 noon, by emailing to cselberg@southportland.org. Late or unsigned proposals shall not be accepted.

Firms must be registered with the City in order to submit a proposal. Receipt of this document directly from the City indicates registration. Should a firm receive this Request from a source other than the City, please contact cselberg@southportland.org to ensure that your firm is listed as a vendor for this RFP.

QUESTIONS

All questions should be made in writing and directed to Colleen Selberg by e-mail at cselbergsouthportland.org) and be received no later than 12:00 noon on Thursday, March 3, 2022. Questions received after this time will not be addressed. Responses from the City that substantially alter this RFP will be issued in the form of a written addendum.

INSURANCE and INDEMNIFICATION

The successful proposer shall agree to defend, indemnify and save the City harmless from all losses, costs or damages caused by his acts or those of his agents. Before signing the contract, the successful proposer will produce evidence that they have secured Public and Automobile Liability insurance coverage in amounts not less than \$400,000 per person and occurrence for bodily injury, death and property damage, protecting the contractor and the City, and naming the City as an additional insured from such claims; Worker's Compensation insurance; and Professional Liability insurance in an amount not less than \$500,000 for errors and omissions.

RESERVATION OF RIGHTS

The City reserves the right to reject any or all proposals, or to waive any informality, should it be deemed in the best interest of the City to do so.

During the evaluation process, the City reserves the right to request additional information or clarifications from proposers. At the discretion of the City, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

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 the custom of the City to pay its bills 30 days following equipment delivery and acceptance, and following the receipt of correct invoices for all items covered by the agreement. In submitting bids under these specifications, bidders should take into account all discounts; both trade and time allowed in accordance with this payment policy and quote a net price. The City is exempt from the State's sales and use tax as well as all Federal excise taxes.

February 22, 2022

Colleen Selberg
Purchasing Agent

INTRODUCTION

- A. General Information. The City is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending June 30, 2022 through June 30, 2026. This solicitation is in compliance with best practices from GFOA to request proposals for audit services every five years. The City has engaged the firm of Runyon Kersteen Ouellette to perform its audit for the previous six years. The City observes a June 30, fiscal year end.

The City of South Portland is a municipal corporation of the State of Maine. The City operates under a City Manager – City Council form of Government.

The City’s objective is to select the firm best qualified to provide:

1. Audit of the basic financial statements of the City.
2. Audit in accordance with U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
3. Audit in Accordance with Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP).
4. Technical assistance to the City personnel on various accounting and reporting issues.
5. Technical assistance and advice to the City personnel on specialized financial matters that arise during the contract period, such as special purpose audits and related financial analyses, and advice on fiscal policies and procedures.

- B. Term of Engagement. The final agreement will cover a five year term, as described above. Such agreement will be subject to the concurrence of the City Council and the annual availability of an appropriation.

SCOPE OF WORK

The successful firm will perform the work necessary to deliver the following:

- Audit the Annual Comprehensive Financial Report (ACFR) of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City, and issue their opinions thereon;
- Review the Management’s Discussion and Analysis (MD&A), other Required Supplementary Information (RSI), as well as introductory and statistical information and provide feedback on its accuracy and completeness in relationship to the requirements of governmental accounting standards for reporting;

- Provide an opinion on the Schedule of expenditures of federal awards and the combining and individual fund schedules in relation to the financial statements taken as a whole;
- Provide a management letter, when necessary, with observations and recommendations related to internal controls and financial policies and procedures.

A. Auditing Standards to be Followed. To meet the requirements of this request for proposal, the audit shall be performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and procedures applicable to governmental units, as prescribed in the following but not limited to documents:

1. American Institute of Certified Public Accounts (AICPA) Audits of State and Local Governmental Units, and Statements on Auditing Standards
2. Government Finance Officers Association Accounting, Auditing and Financial Reporting
3. U.S. General Accounting Office (GAO) Government Auditing Standards and Guidelines for Financial and Compliance Audits of Federally Assisted Programs
4. Statements of the Government Accounting Standards Board (GASB)
5. The Single Audit Act of 1984
6. Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
7. *The Maine Uniform Accounting and Auditing Practices for Community Agencies*
8. Other documents as may be specifically described in this Request for Proposal, or their successors

B. Reports to be Issued. Following the completion of the financial audit of the fiscal year, the auditor shall issue the following reports:

1. An Independent Auditors Report containing an expression of opinion that financial statements are fairly stated, or, if a qualified, adverse or disclaimer of opinion is necessary, the reasons therefore. The firm shall submit signed copies of its reports no later than December 30th of each year.
2. Uniform Guidance, to include:
 - a. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

- b. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
 - c. Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.
3. MAAP Compliance
- a. Independent Auditor's Report on Compliance for Each Major Department Agreement and on Internal Control over Compliance Required by *Maine Uniform Accounting and Auditing Practices for Community Agencies*.
 - b. Report on Schedule of Expenditures of Department Agreements Required by *Maine Uniform Accounting and Auditing Practices for Community Agencies*.
- C. The auditor should also should exercise due care in understanding the type of engagement and also requiring that if during the audit the auditor becomes aware that the City is subject to audit requirements which may be encompassed in the terms of the engagement he or she should communicate to management and the Audit RFP committee or others with equivalent authority and responsibility that the audit may not satisfy the requirements.
- D. Generally, in the required report(s) 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 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. 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 report(s) on internal controls. The reports on compliance shall include all instances of noncompliance.
- E. 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 City Manager, Finance Director, and City Council.
- F. Management letter. The engagement should include recommendations to management, prepared by the audit firm in letter form, which include any findings, observations, opinions, comments or recommendations relating to internal control, accounting systems, data processing, compliance with laws, rules and regulations, or any other matters that come to the attention of the auditor during the course of the examination. Such recommendations shall not be construed as special or additional studies, but shall be limited to those usually associated with the study of internal control systems and procedures as a part of an examination of financial statements. The recommendations will be discussed with the appropriate City officials prior to publication.
- G. Reporting to the City Council. Per Charter requirements, auditors shall submit their report to the City Council, with a copy to the City Manager. Also, auditors shall meet with the City Council to present the results of the audit to inform the City Council of their opinion, findings and recommendations. It is likely that the Board of Education will attend such meeting with the City

Council; however, in some cases the Board may request an individual meeting with the auditors to review audit results.

As a part of the overall audit contract, the City expects to receive from the audit firm a variety of technical assistance throughout the fiscal year. This assistance would include answers to accounting, reporting, or internal control questions.

Proposals should describe the types of services available from the firm and the standard hourly fees to be charged for such services that may be required outside of the annual audit. Such work, if needed, will be contracted for, provided, and billed separately to the City on an hourly basis at the rates quoted.

- H. Access to Working Papers The auditor will be required to make working papers available, upon request, to the following parties or their designees:
1. The City of South Portland
 2. Parties designated by the federal or state governments or by the City as part of an audit quality review process
 3. Auditors or entities of which the City 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.

DESCRIPTION AND STATISTICS

The City of South Portland is a municipal corporation of the State of Maine with a population at the last Census of 25,532. For fiscal year 2021-2022, the City had a General Fund budget appropriation of \$98.2 million, including Schools. The City's total appropriation for all funds including General Fund, Reserve, Enterprise, Special Revenue, and Capital Project Funds is approximately \$134 million.

The City is required by local, state, and federal laws and regulations to have an independent certified public accountant ("Auditor") perform an annual external audit of their financial statements. These audits are to be performed with generally accepted auditing standards as set forth by the aforementioned governing bodies.

The City is committed to quality financial reporting, maintaining adequate systems of internal control, and proper stewardship of public funds. Consistent with this, the City and School expect an audit that clearly meets all applicable auditing and accounting standards. The City has been awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for fourteen consecutive years. We believe that our current comprehensive annual report continues to meet the Certificate of Achievement Program requirements and we have submitted it to GFOA to determine its eligibility for another certificate.

- A. Fund Structure and Accrual Basis of Accounting. The City utilizes Tyler Munis integrated accounting software for its general ledger, purchasing, AP, AR, budgeting, cash receipting, and payroll functions, as well as other non-financial departmental functions. The City uses the modified accrual basis of accounting in the governmental funds and performs a conversion to full accrual when reporting on an entity wide basis. The accounting system of both the City and School are comprised of the following funds:

- General Fund
- TIF Funds
- Capital Project Funds
- Special Revenue Funds (including school activity funds)
- Enterprise Funds
- Private Purpose Trust Funds
- Permanent Funds
- General Long-Term Debt
- Capital Assets

More detailed information on the City and its finances can be found posted on the web site at www.southportland.org.

- B. Pension Plans. The City participates in Maine Public Employees Retirement System Consolidated Plan. City employees participate in either the regular AC plan or the special 3c plan depending on job class.

The City also participates in Social Security and the International City/County Management Association (ICMA) retirement system and matches employee contributions to the 457 defined contribution plan through a 401(a) defined contribution plan.

- C. Employee Benefits. The City provides health and life insurance to its employees through MMEHT and MEABT, as well as dental, vision, and disability insurances through other providers. There are employee cost sharing requirements.

The City offers Post Employment health benefits to retirees, and receives actuarial reports through MMEHT and MEABT. The City does not explicitly contribute toward the cost of retiree health insurance.

- D. Finance Resources Staff. The Finance Department is managed by the Finance Director and consists of ten other employees. The School Business Office is managed by the Business Manager and consists of three other employees.

- E. Availability of Prior Audit Reports and Supporting Documents. Interested proposers who wish to review prior years' audit reports can find all budget and financial information at www.southportland.org . The City of South Portland will use its best efforts to make prior audit reports and supporting documents available to proposers to aid their response to this request for proposals.

- F. Report Preparation. The Annual Comprehensive Financial Report (ACFR) preparation and editing of the basic financial statements shall be the responsibility of the City.

SCHEDULE AND TIME REQUIREMENTS

Proposers will provide a schedule for the annual audit, based on a June 30 fiscal year end. An entrance meeting with staff should be included as the start of the interim work, as well as an exit meeting at the completion of the audit.

PROPOSAL REQUIREMENTS

A. General Requirements

1. Proposals must include the following:
 - A Technical Proposal containing information sufficient for the City to evaluate the firm's understanding and ability to undertake its audit and provide technical accounting support
 - Price Proposal
 - Rates for additional work

B. Technical Proposal

1. General Requirements. The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City in conformity with the requirements of this request for proposals. 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. The technical proposal should address all the points outlined in the request for proposals.
2. Independence. The firm should provide an affirmative statement that it is independent of the City as defined by The U.S. General Accounting Office's *Government Auditing Standards*, latest edition.

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the City or any of its agencies or component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in the State of Maine. An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in the State of Maine.

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, and also any letter of comments received as a result of the quality review.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the last 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 licensed to practice as a certified public accountant in the State of Maine. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

The firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement will be assured.

The firm should describe participation by its staff in state, local and regional government finance, such as presenting educational seminars, providing updates and communication on GASB or other changes affecting government finance, or other types of participation and support.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City. However, in either case, the City retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of the City, which retains the right to approve or reject replacements.

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

6. Similar Engagements with Other Government Entities. For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last five years that are similar to the engagement described in this request for proposals. These engagements should be ranked on the basis of total staff hours.

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

7. Specific Audit Approach. The proposal should set forth a work plan and timeline, including an explanation of the audit methodology to be followed, to perform the services required in the SCOPE OF WORK of this request for proposals. In developing the work plan, reference should be made to such sources of information as the City's budget and related materials, organizational charges, 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. Sample sizes 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 control structure.
- f. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- g. Approach to be taken in drawing audit samples for purposes of tests of compliance.
- h. Any other information the proposer feels is relevant to this engagement.

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.

C. Price Proposal

1. Total All-inclusive maximum annual price. The Price Proposal should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum annual price 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 this proposal. Such costs should not be included in the proposal.

The total all-inclusive maximum annual price should be provided for each of the five years in the term of this engagement, including out-of-pocket expenses.

2. Rates for Additional Professional Services. Include a listing of hourly rates for staff that will be used to calculate costs of any additional services to either supplement the services requested in this request for proposals, or to perform additional work. Such additional work shall be negotiated and contracted for separately based on hourly rates.
3. Manner of Payment. Progress payments will be made on the basis work completed during the course of the engagement in accordance with the firm's cost proposal. Interim billings shall cover a period of not less than a calendar month.

EVALUATION PROCEDURES

- A. Auditor Selection. Proposals submitted will be received and evaluated by City staff, using the following criteria, and presented to the City Council, who will make the approval for the auditors' appointment. The Finance Director may contact individual firms for clarification or to confirm proposed services and costs. Staff or the Council may elect to interview any or all firms submitting proposals.
- B. Evaluation Criteria. Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored 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 is independent and licensed to practice in the State of Maine.
 - b. A statement that the audit firm's professional personnel have received adequate continuing professional education within the preceding two years.

- c. A statement that the firm has no conflict of interest with regard to any other work performed by the firm for the City.
 - d. The firm submitted a copy of its most recent external quality control review report and the firm has a record of quality audit work.
 - e. The firm adhered to the instructions in this request for proposals in preparing and submitting the proposal.
2. Audit Approach (maximum 20 Points)
- a. Responsiveness of the proposal in clearly demonstrating an understanding of the work to be performed. Schedule and time line for audit process.
3. Technical Qualifications (maximum 55 points)
- a. Qualifications of staff assigned to the audit, demonstrated through resumes stating education, governmental experience, and position with the firm. The firm's policy with regard to rotation of audit staff. (25 points)
 - b. Experience of the firm and prior experience with governmental audits, and continuing knowledge of governmental accounting standards, rules, and regulations. (30 points)
4. Price (maximum 25 points)

C. SELECTION PROCESS

As part of the review and evaluation process, firms may be asked to make oral presentations. Not all firms may be requested to make oral presentations. Price will not be the sole determinant in the selection process. The City of South Portland wishes to select an auditing firm that can best demonstrate the capability to provide the desired services, both currently and in the future, with quality and innovation at a competitive price.

Following selection, the successful firm will be notified and will enter into a contract with the City. The contract will be based on the provisions of this RFP and will describe the terms and conditions under which the audit firm will be appointed, assigned tasks and compensated.

COMPLETE AND RETURN THIS PAGE

PROPOSAL

The UNDERSIGNED hereby declares that he, she or they are the only person(s), firm or corporation interested in this proposal as principal; that it is made without any connection with any other person(s), firm or corporation submitting a bid for the same.

The UNDERSIGNED hereby declares that they have read and understand all conditions as outlined herein, and that the proposal is made in accordance with same.

The UNDERSIGNED hereby declares that any person(s) employed by the City who has direct or indirect personal or financial interest in this proposal, or in any profits which may be derived therefrom has been identified and the interest disclosed by separate attachment. Please include in your disclosure any interest which you know of.

This Proposal acknowledges the receipt of Addenda No.: _____

COMPANY NAME: _____
(Individual, Partnership, Corporation, Joint Venture)

AUTHORIZED SIGNATURE: _____ DATE: _____
(Officer, Auth. Individual, Owner)

PRINT NAME & TITLE: _____

ADDRESS: _____

ZIP CODE

TELEPHONE: _____ D.U.N.S. _____

FEDERAL TAX I.D. NUMBER: _____

NOTE: All proposals must bear the handwritten signature of a duly authorized member or employee of the organization making the proposal.

PROPOSAL PAGE (CONTINUED)

AUDIT SERVICES

Proposed Price to perform annual audit as described in this RFP:

Year 1 (2022) Lump Sum Price \$ _____

Year 2 (2023) Lump Sum Price \$ _____

Year 3 (2024) Lump Sum Price \$ _____

Year 4 (2025) Lump Sum Price \$ _____

Year 5 (2026) Lump Sum Price \$ _____

TOTAL PRICE \$ _____