

CITY OF STOCKTON



**REQUEST FOR PROPOSALS (RFP)
TO PROVIDE PROFESSIONAL AUDITING SERVICES
FOR THE CITY OF STOCKTON, CALIFORNIA
(PUR 15-032)**

**PROPOSALS WILL BE RECEIVED UNTIL THE HOUR OF
2:00 O'CLOCK P.M., THURSDAY, APRIL 7, 2016,
IN THE OFFICE OF THE CITY CLERK,
FIRST FLOOR, CITY HALL, 425 NORTH EL DORADO STREET,
STOCKTON, CALIFORNIA 95202-1997**



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NOTICE INVITING PROPOSALS

NOTICE IS HEREBY GIVEN that Request for Proposals (RFP) are invited by the City of Stockton, California for specifications for **PROFESSIONAL AUDITING SERVICES (PUR 15-032)** in strict accordance with the specifications.

The City of Stockton is requesting proposals from qualified firms of Certified Public Accountants to audit its financial statements for the fiscal years ending June 30, 2016, 2017, and 2018 with two one-year options to review for the fiscal years ending June 30, 2019 and 2020. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. Government Accountability Office's (GAO) Government Auditing Standards (GAS), the provisions of the Federal Single Audit Act and U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations (A-133).

Proposal forms and specifications are available on the City's web site at www.stocktongov.com/bidflash and must be delivered to the Office of the City Clerk, City Hall, 425 North El Dorado Street, Stockton, up to but not later than, **Thursday, APRIL 7, 2016, at 2:00 p.m.**

The City reserves the right to reject any and/or all proposals received.

Information on Technical Data

Claire Tyson, Assistant CFO
(209) 937-8398
e-mail: Claire.Tyson@stocktonca.gov

Information on RFP Process/Clarification

Alan Montanelli, Purchasing
(209) 937-8350
e-mail: Alan.Montanelli@stocktonca.gov

DISCLAIMER: The City does not assume any liability of responsibility for errors/omissions in any document transmitted electronically.

Dated: MARCH 17, 2016

//s//BONNIE PAIGE
CITY CLERK OF THE CITY OF STOCKTON

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**PROPONENT'S CHECKLIST
CITY OF STOCKTON / PURCHASING DIVISION**

Did You:

- * Complete the following proposal documents (FROM THIS PACKET ONLY SUBMIT PAGES 34 to 36 AND PLACE IN THE FRONT OF YOUR PROPOSAL):
 - * Sign and notarize by jurat certificate the "Non-Collusion Affidavit" form. An "All-Purpose Acknowledgment" form will not be sufficient.
 - * Complete and sign the "Proponent's Fee Schedule" form, (under separate cover).
 - * Sign the "Proponent's Agreement" form. **Include (with proposal) name and e-mail address for City contact, if different from signatory.**
 - * Include your proposal, as outlined in these specifications.
 - * Include proof of insurance, as outlined in these specifications.
 - * Submit one (1) ORIGINAL (unbound, no staples) and SIX (6) COPIES of all proposal documents. Additionally, submit one (1) CD with an electronic version of the proposal.
- * Review all clarifications/questions/answers on the City's website at www.stocktongov.com/bidflash
- * Comply with Affirmative Action and Equal Employment Opportunity guidelines
- * Deliver sealed proposal to City Hall, City Clerk's Office (1st floor), 425 North El Dorado Street, Stockton, CA 95202, before **April 7 2016, at 2:00 p.m.** Sealed proposal shall be marked "Proposal" and indicate project name, number, and proposal opening date (in the same format below). **Please note that some overnight delivery services do not deliver directly to the City Clerk's Office. This could result in the proposal arriving in the City Clerk's Office after the proposal opening deadline and therefore not being accepted.**
 - A) RFP – TO PROVIDE PROFESSIONAL AUDITING SERVICES
 - B) PUR 15-032
 - C) April 7, 2016

CONTACT INFORMATION:

Information on Technical Data	Information on Bid Process/Clarification
Claire Tyson, Assistant CFO (209) 937-8398 e-mail: Claire.Tyson@stocktonca.gov	Alan Montanelli (209) 937-8350 e-mail: Alan.Montanelli@stocktonca.gov

*If not completed as required, your proposal may be rejected.

*DISCLAIMER: The City does not assume any liability or responsibility for errors/omissions in any document transmitted electronically.

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1.0 GENERAL INFORMATION

1.1 REQUEST FOR PROPOSAL (RFP) PROCESS

The City of Stockton (City) is soliciting qualified firm(s) with experience and interest to present their qualifications and capabilities to provide **PROFESSIONAL AUDITING SERVICES (PUR 15-032)**.

The evaluation process shall include review of qualifications by a panel of City staff designated by the City. Oral interviews may be scheduled and the City may request further information and/or expansion on the qualifications of one or more firms responding to this RFP.

Please note that the City of Stockton is simultaneously soliciting proposals for Professional Audit Services for an independent audit of Measures A and B (Professional Auditing Services PUR 15-026) to be performed by a separate firm. Firms may submit proposals in response to both requests, but may not be awarded both contracts.

1.2 INVITATION TO SUBMIT A PROPOSAL

Proposals shall be submitted no later than 2:00 p.m., on Thursday, APRIL 7, 2016, in the office of:

CITY CLERK
CITY OF STOCKTON
425 NORTH EL DORADO STREET
STOCKTON, CA 95202-1997

One (1) original (unbound and no staples) and six (6) copies of the proposal shall be submitted. Additionally, submit one (1) CD with an electronic version of the proposal. The proposal should be firmly sealed in an envelope which shall be clearly marked on the outside, "**RFP – TO PROVIDE PROFESSIONAL AUDITING SERVICES (PUR 15-032)**." Any proposal received after the due date and time indicated may not be accepted and may be rejected and returned, unopened, to the proponent.

Proponent may submit more than one proposal provided the proposal meets the functional requirements.

1.3 AVAILABLE DOCUMENTS

The following documents will be available on the City's website at <http://www.stocktongov.com/government/departments/adminServices/finRep.htm>

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- Comprehensive Annual Financial Report (CAFR) 2015
- Single Audit Report (2015) *
- Memorandum on Internal Control and Required Communications (2015) *
- Annual Budget (2015-2016)

*These items are in the process of being finalized contact staff for more information.

1.4 AFFIRMATIVE ACTION

In compliance with the Code of Federal Regulations Title 24 Part 85.36 (24 CFR 85.36), respondents who will be sub-contracting must make good faith efforts to contract with small and minority firms, and women's business enterprises. Efforts must include:

- Placing qualified small and minority businesses and women's business enterprises on solicitations lists;
- Assuring that small and minority businesses and women's business enterprises are solicited whenever they are potential sources;
- Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
- Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises; and
- Using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.

Respondents must submit a letter with their proposals certifying that they solicited subcontracts in compliance with 24 CFR 85.36.

1.5 EQUAL EMPLOYMENT OPPORTUNITY

Respondents must submit a letter stating they are in compliance with all Equal Employment Opportunity regulations.

1.6 CONSEQUENCE OF SUBMISSION OF PROPOSAL

- A. The City shall not be obligated to respond to any proposal submitted nor be legally bound in any manner by the submission of a proposal.
- B. Acceptance by the City of a proposal obligates the proponent to enter into an agreement with the City.

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- C. An agreement shall not be binding or valid against the City unless or until it is executed by the City and the proponent.
- D. Statistical information contained in proponent's documents is for informational purposes only. The City shall not be responsible for the accuracy of said data.
- E. City reserves the right to increase or decrease the project scope.

1.7 ACCEPTANCE OR REJECTION OF PROPOSAL

The City reserves the right to select the successful proposal and negotiate an agreement as to the scope of services, the schedule for performance and duration of the services with proponent(s) whose proposal(s) is/are most responsive to the needs of the City. Further, the City reserves the right to reject any and all proposals, or alternate proposals, or waive any informality or irregularity in the proposal as is in the City's best interest.

The City reserves the right to reject any and all proposals, or portions thereof, received in response to the Request or to negotiate separately with any source whatsoever, in any manner necessary, to serve the best interests of the City. Additionally, the City may, for any reason, decide not to award an agreement(s) as a result of this Request.

Non-acceptance of any proposal shall not imply that the proposal was deficient. Rather, non-acceptance of any proposal will mean that another proposal was deemed to be more advantageous to the City or that the City decided not to award an agreement as a result of this Request.

1.8 RIGHT TO CHANGE OR AMEND REQUEST

The City reserves the right to change the terms and conditions of this Request. The City will notify potential proponent(s) of any material changes by posting on the City's website. No one is authorized to amend any of the Request requirements in any respect, by an oral statement, or to make any representation or interpretation in conflict with its provisions. If necessary, supplementary information and/or clarifications/questions/answers will be posted on the City's website at www.stocktongov.com/bidflash. Failure of any proponent to not have received such information and/or clarifications/questions/answers shall not relieve such proponent from any obligation under his/her proposal as submitted.

Any exceptions to this Proposal shall be clearly stated in writing.

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1.9 CANCELLATION

The City reserves the right to rescind award of the contract at any time before execution of the contract by both parties if rescission is deemed to be in City's best interest. In no event shall City have any liability for the rescission of award. The proponent assumes the sole risk and responsibility for all expenses connected with the preparation of its proposal.

1.10 EXAMINATION OF PROPOSAL MATERIALS

The submission of a proposal shall be deemed a representation and warranty by the proponent that it has investigated all aspects of the Request, that it is aware of the applicable facts pertaining to the Request process and its procedures and requirements, and that it has read and understands the Request. No request for modification of the provisions of the proposal shall be considered after its submission on the grounds the proponent was not fully informed as to any fact or condition. Statistical information which may be contained in the Request or any addendum is for informational purposes only. The City disclaims any responsibility for this information which may subsequently be determined to be incomplete or inaccurate.

1.11 ADDENDA AND INTERPRETATION

The City will not be responsible for, nor be bound by, any oral instructions, interpretations, or explanations issued by the City or its representatives. Any request for clarifications/questions/answers of this Request shall be made in writing/e-mail and deliverable to:

CITY OF STOCKTON
ATTN: CLAIRE TYSON
ADMINISTRATIVE SERVICES DEPT
425 NORTH EL DORADO STREET
STOCKTON, CA 95202-1997
Claire.Tyson@stocktonca.gov

CITY OF STOCKTON
ATTN: ALAN MONTANELLI
PURCHASING DIVISION
425 NORTH EL DORADO STREET
STOCKTON, CA 95202-1997
Alan.Montanelli@stocktonca.gov

Such request for clarifications/questions/answers shall be delivered to the City by end of business on March 24, 2016. Any City response to a request for clarifications/questions/answers will be posted on the City's website at www.stocktongov.com/bidflash (by 5:00 PM on March 31, 2016), and will become a part of the Request. The proponent should await responses to inquires prior to submitting a proposal.

1.12 DISQUALIFICATION

Any of the following may be considered cause to disqualify a proponent without further consideration:

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- A. Evidence of collusion among proponents;
- B. Any attempt to improperly influence any member of the evaluation panel;
- C. Any attempt to communicate in any manner with a City of Stockton elected official during the RFP process will, and shall be, just cause for disqualification/rejection of proponent's proposal/Proponent's bid submittal and considered non-responsive.
- D. A proponent's default in any operation of a professional services agreement which resulted in termination of that agreement; and/or
- E. Existence of any lawsuit, unresolved contractual claim, or dispute between proponent and the City.

1.13 PROPOSAL DEFECTS

A proposal shall be prepared and submitted in accordance with the provisions of these Request instructions and specifications. Any alteration, omission, addition, variance, or limitation of, from, or to a proposal may be sufficient grounds for rejection of the proposal. The City has the right to waive any defects in a proposal if the City chooses to do so. The City may not accept a proposal if any document or item necessary for the proper evaluation of the proposal is incomplete, improperly executed, indefinite, ambiguous, or missing.

1.14 CONDITIONS TO BE ACCEPTED IF ANY WORK IS SUBCONTRACTED

- A. The proponent assumes full responsibility, including insurance and bonding requirements, for the quality and quantity of all work performed.
- B. If proponent's supplier(s) and/or subcontractor's involvement requires the use of a licensed, patented, or proprietary process, the proponent of the process is responsible for assuring that the subcontractor, supplier, and/or operator have been properly authorized to use the process or for providing another process which is comparable to that which is required prior to submission of a proposal.

1.15 LICENSING REQUIREMENTS

Any professional certifications or licenses that may be required will be the sole cost and responsibility of the Firm. (See Section 2.6.1.4)

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A City of Stockton Business License is required for this project. Please contact the City of Stockton Business License Division at (209) 937-8313.

1.16 INSURANCE REQUIREMENTS

Proponent, at proponent's sole cost and expense and for the full term of the resultant agreement or any extension, shall obtain and maintain at least all of the insurance requirements listed in Exhibit A.

All policies, endorsements, and certificates shall be subject to approval by the Risk Manager of the City of Stockton as to form and content. These requirements are subject to amendment or waiver if so approved in writing by the Risk Manager. Proponent agrees to provide City with a copy of said policies, certificates, and/or endorsements.

The proponent shall satisfy these insurance requirements concurrently with the signing of the contract prior to commencement of work. Please contact City of Stockton Risk Services Division at (209) 937-5037.

The City of Stockton shall be named an additional insured by separate endorsement. Carrier shall provide notice to the City of any change in or limitation of coverage or of cancellation no less than 30 days prior to the effective date. Proof of worker's compensation coverage pursuant to California statutory requirements shall also be provided.

All coverage shall be provided by a carrier authorized to transact business in California and shall be primary.

1.17 HOLD HARMLESS DEFENSE CLAUSE

To the fullest extent permitted by law, Firm shall hold harmless, defend at its own expense, and indemnify the City of Stockton, its Mayor, Council, officers, representatives, agents, employees and volunteers, against any and all liability, claims, losses, damages, or expenses, including reasonable attorney's fees, arising from all acts or omissions to act of firm or its officers, agents, or employees in rendering services under this contract; excluding, however, such liability, claims, losses, damages, or expenses arising from the City of Stockton's sole negligence or willful acts. The duty to defend and the duty to indemnify are separate and distinct obligations. The City's acceptance of the insurance certificates required under this Agreement does not relieve the Firm from its obligation under this paragraph. The indemnification obligations of this section shall survive the termination of this agreement.

1.18 APPLICABLE LAW

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This agreement shall be governed by the laws of the State of California. Venue shall be proper in the Superior Court of the State of California, County of San Joaquin, Stockton Branch, or, for actions brought in Federal Court, the United States District Court for the Eastern District of California, Sacramento Division.

1.19 METHOD OF PAYMENT

Payment will be made within thirty (30) days after invoices are received and accepted by the City Manager. Invoices are to be rendered monthly and include supporting detail of the daily work in process hours by staff member and title.

1.20 NOTICE TO OUT-OF-STATE VENDOR

It is the policy of the City of Stockton to pay all applicable California sales/use tax directly to the State Board of Equalization (BOE) pursuant to California Revenue and Taxation Code 7051.3. The City of Stockton will self-accrue all sales/use tax on purchases made from out-of-state vendors.

Sales and use tax on purchases made by the City of Stockton from all companies located outside California and whose products are shipped from out of state will be remitted to the BOE directly by the City under permit number **SR KHE 28-051174 DP**. **Please do not include sales/use tax on the invoice that you submit to the City of Stockton.**

Questions regarding the City of Stockton's payment of sales/use tax can be directed to the City of Stockton's Purchasing Division at (209) 937-8357.

1.21 TERM

Three years (FY 2016, FY 2017, FY 2018) with two one-year options to renew for FY 2019 and 2020.

1.22 COMPETITIVE PRICING

Proponent warrants and agrees that each of the charges, economic or product terms or warranties granted pursuant to this Contract are comparable to or better than the equivalent charge, economic or product term or warranty being offered to any similarly situated commercial or other government customer of proponent. If proponent enters into any arrangements with another customer of proponent to provide product under more favorable charges, economic or product terms or warranties, proponent shall immediately notify CITY of such change and this Contract shall be deemed amended to incorporate the most favorable charges, economic or product terms or warranties.

1.23 FUNDING

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Any contract which results from this Request will terminate without penalty at the end of the fiscal year in the event funds are not appropriated for the next fiscal year. If funds are appropriated for a portion of the fiscal year, this contract will terminate without penalty, at the end of the term for which funds are appropriated.

1.24 UNCONDITIONAL TERMINATION FOR CONVENIENCE

The City may terminate the resultant agreement for convenience by providing sixty (60) calendar day advance notice unless otherwise stated in writing.

1.25 AUDITING OF CHARGES AND SERVICES

The City reserves the right to periodically audit all charges and services made by the successful proponent to the City for services provided under the contract. Upon request, the proponent agrees to furnish the City with necessary information and assistance.

1.26 CONTRACT AMENDMENTS

The City's Representative has the authority to review and recommend or reject contract amendments and cost proposals submitted by the proponent or as recommended by the proponent's project manager.

1.27 PRODUCT OWNERSHIP

Any documents, products or systems resulting from the contract will be the property of the City of Stockton.

1.28 CONFIDENTIALITY

If proponent believes that portions of a proposal constitute trade secrets or confidential commercial, financial, geological, or geophysical data, then the proponent must so specify by, at a minimum, stamping in bold red letters the term "**CONFIDENTIAL**" on that part of the proposal which the proponent believes to be protected from disclosure. The proponent must submit in writing specific detailed reasons, including any relevant legal authority, stating why the proponent believes the material to be confidential or a trade secret. Vague and general claims as to confidentiality will not be accepted. The City will be the sole judge as to whether a claim is general and/or vague in nature. All offers and parts of offers that are not marked as confidential may be automatically considered public information after the contract is awarded. **The proponent is hereby put on notice that the City may consider all or parts of the offer public information under applicable law even though marked confidential.**

1.29 OTHER GOVERNMENTAL AGENCIES

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If mutually agreeable to all parties, the use of any resultant contract/purchase order may be extended to other political subdivisions, municipalities, or tax supported agencies.

Such participating governmental bodies shall make purchases in their own name, make payment directly to successful bidder and be liable directly to the successful bidder, holding the City of Stockton harmless.

1.30 INDEPENDENT CONTRACTORS

It is understood that Firm will not act hereunder in any manner as an employee of City, but solely under this Agreement as an independent firm, and City shall not under any circumstances be liable to Firm or any person or persons acting for or under it, or to any person injured, for any deaths, injuries, or property damage received or claimed, unless any such liability arises by virtue of negligence by City, its officers, agents, or employees, and Firm agrees to defend and hold City free and harmless from liability therefore which is not due to any fault of City, its officers, agents, or employees.

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2.0 INTRODUCTION – SCOPE OF SERVICES

2.1 GENERAL INFORMATION

The City of Stockton (City) was incorporated July 25, 1850 and under the charter adopted in 1923, operates under a Council-Manager form of government. The City is situated 345 miles north of Los Angeles and 78 miles east of San Francisco Bay Area. It is the seat of San Joaquin County and serves an area of 60.8 square miles with a diverse population of approximately 307,000. The City government is divided into 13 departments. These City departments provide services ranging from police and fire services to public works, parks, recreation, and library services.

The City of Stockton has a June 30 fiscal year end. The Fiscal Year 2015-2016 annual adopted budget for the City of Stockton is approximately \$610 million (\$491 million operating, \$54 million debt, and \$65.5 million capital). There are approximately 1,593 full time positions budgeted in fiscal year 2015-2016.

The City maintains on average from \$375 million to \$425 million in its total pooled cash and investments throughout the year. The long term portion of the City's pooled investment portfolio, with a current market value of \$290 million, is managed by Chandler Investment Advisors. The City has over 150 bank accounts, including trustee held accounts, which make up its overall portfolio of accounts.

The City receives a number of Federal and State grants each year. Although the number and dollar amount of grants vary from year to year, the City had \$93.4 million in Federal grant expenditures in fiscal year 2014-2015 under eleven (11) different CFDA numbers, included in the total for Single Audit testing in that year. The City has continuing compliance requirements over its Housing loan portfolio under Department of Housing and Urban Development of approximately \$64.3 million, which is included in the total of \$93.4 million. The City's most recent Single Audit for the fiscal year ended June 30, 2015 reported no current year findings and no material weaknesses and significant deficiencies compared to prior years.

The audit findings were carryovers from prior years. It also noted that recommendations to close the findings are in the process of being implemented.

As a result of severe financial difficulties in its general fund and related funds, on June 28, 2012 the City filed a petition seeking relief under chapter 9 of title 11 of the United States Code with the United States Bankruptcy Court for the Eastern District of California (the "Court"). Following a trial held before Chief United States Bankruptcy Judge Christopher Klein, the Court determined on April 1, 2013 that the City was eligible for relief under chapter 9. The City's plan

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of adjustment and the related disclosure statement were mailed to creditors in December 2013 (as subsequently amended and supplemented, the “Plan”). All classes of creditors voted to accept the Plan; however, one creditor, Franklin High Yield Tax-Free Income Fund and Franklin California High Yield Municipal Fund (collectively, “Franklin”), filed an objection to the Plan, triggering extensive discovery and litigation relating to confirmation thereof. At a hearing on October 30, 2014, Judge Klein announced his oral decision to confirm the Plan. Subsequently, the Court filed an order confirming the Plan on February 4, 2015, and the Plan went effective on February 25, 2015.

Franklin appealed the confirmation order to the Bankruptcy Appellate Panel of the Ninth Circuit (the “BAP”), which on December 11, 2015, dismissed as equitably moot the portion of the appeal that sought reversal of the confirmation order. In its opinion, the BAP also held that because some relief might be available to Franklin (such as increased payments), it needed to address Franklin’s challenges based on such bankruptcy issues as classification of claims and satisfaction of the best interests of creditors test. Each of the contentions was rejected, and the confirmation order was affirmed. January 11, 2016, was the deadline for Franklin to appeal the BAP’s decision to the United States Court of Appeals for the Ninth Circuit. Franklin chose not to file such a notice, and in fact did not file one. Thus the bankruptcy court order confirming the City’s plan of adjustment is now final and no longer subject to further appeal.

The City’s Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015 was issued on December 31, 2015. All findings were carried over from prior years and recommendations to close the findings are in the process of being implemented.

2.2 NATURE OF SERVICES REQUIRED

2.2.1 Scope of Work to be Performed

The City of Stockton is requesting proposals from qualified firms of Certified Public Accountants to audit its financial statements, to express an opinion on the fair presentation of the City’s basic financial statements in conformity with generally accepted accounting principles, to provide an "in-relation-to" report on the additional information based on the auditing procedures applied during the audit of the combining and individual fund statements and schedules for the fiscal year ending June 30, 2016 and two (2) subsequent fiscal years. The firms may exercise two one-year options to continue providing auditing services.

These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U. S. Government Accountability Office’s (GAO) *Government Auditing Standards* (GAS), the provisions of the Federal Single Audit Act and U.S. Office of

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Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations (A-133).

- The proponent is not required to audit the introductory section.
- The proponent shall be responsible for performing certain limited procedures involving management's discussion and analysis and required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.
- The proponent shall provide opinions as to the compliance with the Federal Single Audit Act and OMB Circular A-133. The proponent is not required to audit the Schedule of Expenditures of Federal Awards. However, the proponent is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.
- The proponent shall test compliance with the Single Audit Act and applicable laws and regulations. The proponent will prepare and publish a Single Audit Report including the appropriate schedules; report on internal control when federal expenditures meet or exceed the threshold requiring a Single Audit. The City will prepare the Schedule of Expenditures of Federal Awards.
- The proponent shall test compliance with Article XIIB pertaining to the City's appropriation limit, and prepare a letter to the City Council regarding compliance.
- Proponent shall audit the schedule of revenues, expenditures and changes in fund balance of the Measure W Public Safety Tax Fund of the City. Measure W is a ¼ cent sales tax measure approved by voters in 2004.
- Proponent shall review core revenues in accordance with the agreed upon procedures required by the Bankruptcy Agreement with the Assured Guarantee.
- Proponent shall prepare Management Letter that includes non-reportable recommendations for improvements to internal controls.
- Proponent may also be asked to examine or prepare other reports or perform other services as required.

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2.2.2 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 (AICPA),
- Standards for financial audits set forth in the U.S. Government Accountability Office's *Government Auditing Standards*,
- Provisions of the Single Audit Act,
- Provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and non-Profit Organizations*, and
- Applicable State of California audit guidelines.

2.2.3 Required Reporting

2.2.3.1 Comprehensive Annual Financial Report

The City will prepare a draft of the fund financial statements, notes, statistical information and supplementary required information. In addition, the City will prepare GASB Statement No. 34 conversion entries to be used to compile the Government Wide Statements. The Auditor shall assist in preparing the Government Wide Statement and will be responsible for the final report preparation, formatting and editing. Printing shall be the responsibility of the City.

Signed Independent Auditors' Report on auditor letterhead (electronic copy).

The City of Stockton 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. Except for during the time the City was in Bankruptcy (2011-2015), the City received certificates for the last twenty-two consecutive years. It is anticipated that the proponent will be required to provide assistance to the City of Stockton to meet the requirements of this program.

2.2.3.2 Report on Internal Control

Independent Auditors' 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 (electronic copy).

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2.2.3.3 Single Audit Report

Single Audit Report including appropriate schedules and auditors' reports and Data Collection Form.

The proponent shall provide thirty (30) bound copies of the Report, one (1) unbound original, and one (1) electronic copy.

2.2.3.4 Appropriations Limit (Article XIIIB)

Independent Auditors' Report on Agreed-Upon Procedures Applied to Appropriations Limit Calculation (electronic copy).

2.2.3.5 Measure W

Signed Independent Auditors' Report on auditor letterhead for the Measure W Public Safety Fund.

2.2.3.6 Management Letter

A Management Letter addressed to the City Council recommending improvements to the City's internal control that are otherwise non-reportable (electronic copy).

2.2.3.7 Agreed Upon Procedures

Signed Independent Auditor's review of major revenues required by the Bankruptcy Agreement with Assured Guarantee

2.2.3.8 Communication of Internal Control Related Matters

The proponent shall communicate in a Report to management and the Audit Committee any deficiencies in internal control identified as a significant deficiency or material weakness during the audit. Other matters not meeting that criteria and discovered by the auditor shall be communicated in the Management Letter as noted above.

The Report to the City Council shall also include the status of prior year findings and recommendations. During the first year, the proponent shall follow-up on material weaknesses and significant deficiencies made in connection with the June 30, 2015 audit.

The proponent will provide twenty-five (25) bound Reports to the Audit Committee, one (1) unbound original, and one (1) electronic copy.

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The proponent shall be required to make immediate written notification to the City Council, Audit Committee, City Manager, Chief Financial Officer and City Attorney of all irregularities and illegal acts or indications of illegal acts of which the auditor becomes aware.

2.2.3.9 Audit Committee

Annually, the proponent shall assure himself or herself that the City of Stockton's Audit Committee is informed of each of the following:

- The auditor's responsibility under generally accepted auditing standards,
- Significant accounting policies,
- Management judgments and accounting estimates,
- Significant audit adjustments and uncorrected misstatements,
- Other information in documents containing audited financial statements,
- Disagreements with management,
- Management consultation with other accountants,
- Major issues discussed with management prior to retention,
- Difficulties encountered in performing the audit, and
- Errors, irregularities, and illegal acts.

The proponent must be available to present the audit plan to the Audit Committee prior to beginning fieldwork. In addition, the proponent must be available to present all final reports to the Audit Committee, once the audit is completed.

2.2.4 Additional Optional Services

The proponent may include a proposal to prepare the following State Controller's Office regulatory filings for the City. The deadline for the filing of these reports is stated below. The response should be included in a separate section of the proposal and include an outline of the process, as well as the all-inclusive cost for each report.

- Cities Annual Financial Transactions Report (90 days after the close of the fiscal year (110 days if filing in the electronic format report prescribed by the California State Controller)
- Annual Street Report to the State Controller (By October 1)

The City will consider responses to these additional optional services separate and apart from the responses for professional audit services. The City reserves the right to reject any and all responses to these additional optional services.

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2.2.5 Special Considerations

- 2.2.5.1** The City of Stockton currently anticipates it may prepare one or more official statements in connection with the sale of debt securities that will contain the basic financial statements and the proponent's report thereon. The proponent shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the external auditor and any necessary "comfort letters."
- 2.2.5.2** The City of Stockton has determined that the U.S. Department of Housing and Urban Development functions as the cognizant agency in accordance with the provisions of the Single Audit Act and OMB Circular A-133.
- 2.2.5.3** The City of Stockton anticipates the need for assistance from the proponent to comply with GASB pronouncements that take effect during the term of the contract. The level of assistance to be provided will be discussed on a case by case basis and mutually agreed upon by proponent and Chief Financial Officer.
- 2.2.5.4** The City establishes materiality levels for posting year end transactions at the commencement of the audit to assist with year-end closing. A schedule of unposted transactions will be provided to the auditor.
- 2.2.5.5** It is the City of Stockton's desire and intent to issue fiscal year 2016 financial statements no later than December 31, 2016, in order to provide timely financial results as it emerges from bankruptcy and prior fiscal emergencies. On an ongoing basis, the City is striving to issue the statements within six (6) months after the end of the fiscal year. Careful planning by both the proponent and the City will be required to accomplish this goal. Proponent should propose an audit staffing and work plan in order to meet those filing requirements.
- 2.2.5.6** The City of Stockton obtains grants from various State of California agencies and desires to meet the audit requirements in the most cost efficient method possible. This may require some additional audit services as mutually agreed upon by the proponent and the City of Stockton.
- 2.2.5.7** The City contracts with SMG for management of the City's Arena, Ballpark (for times when the Ballpark is not operated by the Ports), Events Center Common Areas, Bob Hope Theater, and Oak Park Ice Center, all owned by the City. The City needs to ensure the revenue and expenses for each facility are included in the annual financial statements and subsequent audit. A separate report is issued by SMG and audited by other auditors as of June 30 for these operations. The agreement provides the proponent complete access to the facilities' books and records. Should the City receive other than an "unqualified" opinion as a result of deficiencies with any facility, the City may require some additional audit services as mutually agreed upon by the proponent and the City. In addition, the City contracts with WestRec for

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management of its Downtown Marina. The City also needs to ensure the transactions related to this property are included in the annual financial statements and subjected to audit. There are no separate audits of these financial transactions.

2.2.6 Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the proponent's expense, for a minimum of five (5) years, unless the firm is notified in writing by the City of Stockton of the need to extend the retention period. The working papers are subject to review by federal and state agencies and other individuals designated by the City of Stockton. Accordingly, the work papers shall be made available upon request.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers.

2.3 DESCRIPTION OF FINANCE

The accounting and financial reporting functions of the City are centralized in the Administrative Services Department.

2.3.1 Principal Contact

The proponent's principal contact with the City of Stockton will be Claire Tyson, Assistant Chief Financial Officer, or a designated representative, who will coordinate the assistance to be provided by the City of Stockton to the proponent. Names and phone numbers of key contacts are:

Claire Tyson, Assistant Chief Financial Officer	(209) 937-8398
Edwin Gato, Accounting Manager	(209) 937-5435

2.3.2 Computer Systems

The City implemented its current financial system in 1989 and runs on an AS400 IBM operating system. Software for the City of Stockton's general ledger and other integrated financial systems was developed by SunGard HTE, Inc.

File management and email is accomplished using Microsoft Outlook. Application software includes Word, Excel, Access, On Base, and Omniforms.

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2.3.3 Fund Structure

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

<u>Fund Type</u>	<u>Number of Individual Funds</u>	<u>Number Included in Legally Adopted Annual Budget</u>
General fund	1	1
Special revenue funds	33	33
Debt service funds	35	4
Capital projects funds	57	33
Enterprise funds	19	19
Internal service funds	12	12
Permanent Funds	13	9
Trust (Special Revenue) funds	13	6
Agency Funds	8	1

2.3.4 Magnitude of Finance Operations

The Administrative Services Department consists of approximately 73 full-time and 8 part-time budgeted positions. The principal functions performed and the number of employees assigned to each function are as follows:

- Administering, coordinating and directing activities of the Department (6 full-time, 1 part-time)
- Financial Reporting / Accounting (11 full-time)
- Debt/Investments/Cash Management (2 full-time and 1 part-time consultant)
- Budget (5 full-time)
- Disbursements – Payroll/Accounts Payable (9 full-time, 1 part-time).
- Purchasing (4 full-time)
- Finance Operations including treasury, cashiering, licensing, utility billing, collections, revenue auditing, and miscellaneous accounts receivable (36 full-time, 5 part-time)

2.3.5 Internal Audit Function

Article XV of the City of Stockton Charter establishes the City Auditor and defines the Auditor’s authority. By ordinance, the City Auditor performs audits

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in accordance with Government Auditing Standards. Until September 2012, the City Auditor was an employee of the City and appointed by the City Council. In the fall 2012, the City issued a request for proposal to engage a contract firm into the position of the City Internal Auditor function. The City of Stockton hired Moss Adams LLP in March 2013 at the completion of the proposal process. The firm completed its latest peer review and received a passing report from another nationally recognized firm, Clifton Gunderson LLP, dated August 26, 2011. Moss Adams LLP reports directly to the City Council under the City's charter. Moss Adams is in the process, under its internal audit plan and risk assessment, of identifying and improving the City's key controls, systems policies, and procedures.

Audit reports issued by the Office of the City Auditor are available on the City's website,

<http://stocktongov.com/government/departments/auditor/default.html>

2.3.6 Availability of Prior Report and Working Papers

Review of working papers may be arranged with the firm that conducted the audit for the fiscal years 2011-2012 to 2014-2015:

The Pun Group LLP
200 E. Sandpoint Avenue
Santa Ana, CA 92707
(949) 777-8801

2.4 TIME REQUIREMENTS

2.4.1 Proposal Calendar

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

Requests for proposal issued	03-17-16
Due Date for questions by bidders	03-24-16
Responses to questions posted by City of Stockton	03-31-16
Due Date for proposals	04-07-16

2.4.2 Interviews and Contract Award

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Oral interviews may be scheduled and the City may request further information and/or expansion on the qualifications of one or more proponents responding to this RFP.

Selected Firm Notified	04-15-16
Contract award	05-03-16

2.4.3 Audit Calendar

Below is the City's tentative timing for FY 2016:

	<u>FY 2016</u>
<u>CAFR, Single Audit, Measure W, GANN:</u> Preliminary audit work prior to the closing of the accounts may commence after the award of the contract.	May 20, 2016
Proponents are to deliver to the Assistant Chief Financial Officer a camera ready copy of the CAFR and Single Audit Report by the due date.	November 10, 2016
Proponents are to deliver to the Assistant Chief Financial Officer a final draft of the Report to the Audit Committee by the due date	Dec 1, 2016

2.5 ASSISTANCE TO BE PROVIDED TO THE PROPONENT AND REPORT PREPARATION

2.5.1 Administrative Services Department and Professional and Clerical Assistance

The Administrative Services Department staff will be available during the audit to assist the firm by providing information, documentation and explanations. The City will prepare first drafts of the City's CAFR from the City's general ledger for review by the audit firm. The audit firm selected under this RFP will be responsible to prepare all other first draft of financial statements (e.g. Measure W, GANN Limit). The City will assemble and print the City's CAFR with the Independent Auditor's Report.

2.5.2 Information Technology (IT) Assistance

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Through a process mutually agreed to by both parties, IT personnel will be available to provide systems documentation and explanations. The proponent will be provided access to the computer for viewing purposes.

2.5.3 Statements and Schedules to be Prepared by Staff of the City of Stockton

The staff of the City will prepare the statements and schedules necessary to support the individual fund statements. Additional statements and schedules will be prepared by the City upon mutual consent of the City and the proponent. The date the final trial balance will be available will be mutually agreed upon between Accounting and the proponents during the audit pre-planning meeting.

2.5.4 Work Area, Telephone, Photocopying and FAX Machines

The City of Stockton will provide the proponent with reasonable workspace, desks and chairs. The proponent will also be provided with access to internet, telephone lines, photocopying machines and FAX machines.

2.5.5 Report Preparation

Refer to Section 2.2.5.

2.6 PROPOSAL REQUIREMENTS

The following material is required to be received by April 7, 2016 for a proponent's firm to be considered.

2.6.1 Technical Proposal

An original, unbound copy (so marked) of a Technical Proposal and six (6) copies, in addition to the CD electronic copy to include the following:

2.6.1.1 Title Page

Show the RFP subject, the name of proponent's firm, local address, telephone number, name of a contact person, and proposal date.

2.6.1.2 Table of Contents

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

2.6.1.3 Letter of Transmittal

Briefly state the proponent's understanding of the work to be done and make a positive commitment to perform the work within the time period. Give the

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names of the persons who will be authorized to make representations for the proponent, their titles, addresses, telephone numbers and e-mail address.

2.6.1.4 License to Practice in the State of California

The proponent must be properly licensed for public practice as a Certified Public Accountant in the State of California.

2.6.1.5 Independence

The proponent should provide an affirmative statement that it is independent of the City of Stockton and the Stockton Public Financing Authority as defined by GAS.

2.6.1.6 Business License Required at the Time of Contract Award

The proponent selected must possess a City of Stockton business license while conducting any work under this contract.

2.6.1.7 Insurance

The proponent shall provide proof of insurance as an addendum to the proposal in amounts as listed in Section 1.16 of this RFP. The City of Stockton shall be named as an additional insured, by separate endorsement on the proponent's general liability policy and no insurance policy shall be canceled except after thirty (30) days' notice in writing to the City of Stockton. All insurance requirements must be satisfied before commencement of work.

2.6.1.8 Affirmative Action

The proponent must comply with Section 1.4 and Section 1.5.

2.6.1.9 Non-Collusion Affidavit

The proposal must include a completed, signed non-collusion affidavit form.

2.6.1.10 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.

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If the proponent is a joint venture, qualifications of each firm comprising the joint venture should be separately identified and the firm that is to serve as the principal proponent should be noted, if applicable.

If the proponent will be subcontracting any portion of the audit to another individual or firm, the proposal must include a list of all subcontractors to be used. No substitutions of subcontractors may be made without prior written consent of the City of Stockton.

The proponent is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that the quality control review included a review of specific government engagements.

The proponent 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 proponent shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm, or any firm principal, during the past five (5) years with state regulatory bodies or professional organizations.

2.6.1.11 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 and indicate whether each such person is licensed to practice as a certified public accountant in California. Also, provide information on the government auditing experience of each person, including compliance with continuing professional education requirements set forth in GAS for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

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 and continuity of staff will be assured over the term of the agreement.

Provide staff turnover rates for the past three years, both for the firm and for the office that will serve as in-charge on the engagement.

Principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists may be changed during the course of the agreement; however, the City of Stockton reserves the right to approve or reject replacements. Other audit personnel may be changed at the discretion of the proponent provided that replacements have substantially the same or better qualifications or experience.

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2.6.1.12 Prior Engagements with the City of Stockton

The proponent should list separately all engagements within the last five (5) years, ranked on the basis of total staff hours, for the City of Stockton by type of engagement (i.e., audit, management advisory services, other). For each engagement, the proponent should indicate the scope of work, date, engagement partners, total hours, location of proponent's office from which engagement was performed, and the name of the principal client contact.

2.6.1.13 Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list significant engagements (maximum of 7) performed in the last five years that are most similar to the engagement described in this request for proposal. 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, telephone number and e-mail address of the principal client contact.

2.6.1.14 Audit Approach, Techniques and Schedules to be Used

The proposal should set forth a work plan and proposed audit timing, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal.

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

- Proposed major segmentation of the engagement,
- Level of staff and number of hours to be assigned to each proposed major segment of the engagement,
- Sampling methodology and the extent to which statistical sampling is to be used in the engagement,
- Extent of use of electronic audit software in the engagement,
- Type and extent of analytical procedures to be used in the engagement,
- Approach to be taken to gain and document an understanding of the City of Stockton's internal control structure,
- Use of the City's information technology resources in terms of computer time, operator time and programmer time,

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- Approach to be taken in determining laws and regulations that will be subject to audit test work, and
- Approach to be taken in drawing audit samples for purposes of tests of compliance.

2.6.1.15 Scope Section

Define and describe the scope of services to be provided, in terms of the matters discussed in the following:

The examination will be made in accordance with generally accepted auditing standards. Generally accepted auditing standards are included in Statements on Auditing Standards published by the AICPA and in GAS issued by GAO. The primary purpose of the examination is to express an opinion on the financial statements and that such an examination is subject to the inherent risk that errors or irregularities may not be detected.

If conditions are discovered which lead to the belief that material error, defalcations or other irregularities may exist, or if any other circumstances are encountered that require extended services, the proponent will promptly advise the City Management and Chief Financial Officer.

Fees for any extended procedures must be requested in writing, and authorized in advance by the City Council in excess of purchasing policy limits established in the Stockton Municipal Code, currently \$75,000.

2.6.1.16 Additional Data

Since data not specifically requested must not be included in the foregoing proposal sections, give any additional information considered essential to the proposal in this section. If there is no additional information to present, state in this section, "There is no additional information we wish to present."

2.6.2 Sealed Dollar Cost Proposal

The proponent shall submit one copy of a sealed dollar cost proposal in a separate sealed envelope marked as follows:

SEALED DOLLAR COST PROPOSAL
FOR CITY OF STOCKTON
FOR PROFESSIONAL AUDITING SERVICES
(PUR 15-032)
April 7, 2016

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ALL INFORMATION REGARDING FEES MUST BE SUBMITTED IN SEALED SEPARATE ENVELOPE. NO MENTION OF FEES IS TO BE MADE IN THE BODY OF THE PROPOSAL.

For providing the services proposed, submit maximum fee proposals for all requested services. Include the estimated total hours, the estimated out-of-pocket costs, and the resulting all-inclusive maximum fee. An appendix stating the hourly rates to be charged for any additional work for each staff classification for each year of the proposed contract is required.

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3.0 EVALUATION PROCEDURES

3.1 SELECTION COMMITTEE

The City of Stockton uses a qualifications-based selection process in obtaining these services. In order for the City to properly evaluate the proponent's qualifications to perform this work, an evaluation panel of staff and any other persons designated by the City will conduct the process.

3.2 REVIEW OF WRITTEN PROPOSALS

3.2.1 Identify Proponents Who Meet Minimum Qualifications

The Committee will review proposals and determine which firms meet the following minimum qualifications:

- Independence
- License to Practice
- CPE requirements for Government Audits
- External Quality Review
- Affirmative Action Requirements

3.2.2 Select Top Proposals

Select up to five (5) proponents who best meet the technical qualifications using, but not limited to the following criteria:

- Relevant Experience
- Quality of Personnel
- Computer Audit Experience
- Adequacy of staffing plan
- Adequacy of sampling techniques
- Adequacy of analytical procedures
- Adequacy of audit plan for IS controls

3.3 ORAL PRESENTATIONS

Those proponents selected as best qualified on the basis of written proposals may be invited to make an oral presentation to the selection committee. In addition to any prepared presentation, the proponent will have an opportunity to answer any questions that the selection committee may have on the proposal.

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3.4 NEGOTIATION WITH PROPONENTS

After oral presentations are completed, the selection committee will place, in order of rank, the names of the proponents under consideration. The first ranking proponent will be notified in writing to meet with the selection committee or the committee's designated representative(s) at a certain time and place to negotiate specific scope of services, terms, conditions, and price for work.

NOTE: After the selection committee has ranked the proposals, envelopes containing fees will be opened. Fees will not be used to change the ranking of any proposals.

If the committee and the first ranking proponent cannot reach an agreement, negotiations may be terminated in writing by either party. Once terminated, negotiations cannot be resumed. The committee will then begin negotiations with the second ranking proponent. This process will continue until the committee and a proponent can reach an agreement, except that the City reserves the right to reject any and all proposals. Fees for any proponent rejected after negotiations will not be discussed with any other proponent.

The proposal of the successful firm will be incorporated as part of the contract.

After the three year contract period, this contract may be renewed on a year to year basis, up to a total of two (2) years, at the sole discretion of the City of Stockton. Should the City choose to terminate the contract, the proponent will be notified in writing by December 31 of the year subject to audit.

3.5 AWARD

The City Council will award the contract to a firm based upon the recommendation of the selection committee.

It is anticipated that a firm will be selected by April 27, 2016. Following notification of the firm selected, it is expected a contract will be executed between both parties by May 20, 2016.

The City reserves the right to select the successful proponent and to negotiate terms of a contract with the proponent(s) whose proposal(s) is/are most responsive to the needs of the City. Further, the City reserves the right to reject any and all proposals, or alternate proposals, or waive any informality in the proposal as is in the City's best interest.

3.6 PROPOSAL DEVELOPMENT COSTS

The cost of preparing and submitting a proposal is the sole responsibility of the proponent and shall not be chargeable in any manner to the City of Stockton.

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3.7 PROPONENT CONTACT

Proponent shall provide the name, address, telephone number and e-mail address of an individual in their organization to whom notices and inquiries by the City should be directed as part of this proposal.

PROPOSAL DOCUMENTS

- A) RFP – TO PROVIDE PROFESSIONAL AUDITING SERVICES
- B) PUR 15-032
- C) April 7, 2016

COMPANY NAME: _____

CONTACT NAME: _____

ADDRESS: _____

TELEPHONE NUMBER: _____

EMAIL: _____

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TO PROVIDE PROFESSIONAL AUDITING SERVICES
FOR THE CITY OF STOCKTON, CALIFORNIA
(PUR 15-032)**

PROPONENT'S AGREEMENT

In submitting this proposal, as herein described, the proponent agrees that:

1. They have carefully examined the Scope of Work and all other provisions of this document and understand the meaning, intent and requirements of same.
2. They will enter into contract negotiations and furnish the services specified.
3. They have signed and notarized the attached Non-Collusion Affidavit form, whether individual, corporate or partnership. Must be 'A Jurat' notarization.
4. Included proof of insurance that meet the requirements as outlined in these specifications.
5. They have reviewed all clarifications/questions/answers on the City's website at www.stocktongov.com/services/business/bidflash/default.html.
6. Confidentiality: Successful Proponent hereby acknowledges that information provided by the City of Stockton is personal and confidential and shall not be used for any purpose other than the original intent outlined in the Request for Proposal. Breach of confidentiality shall be just cause for immediate termination of contract agreement.

FIRM

ADDRESS

SIGNED BY

TITLE OR AGENCY

TELEPHONE NO./FAX NO.

DATE

E-MAIL ADDRESS

EXHIBIT 'A' – INSURANCE REQUIREMENTS

FIRM

FIRM shall procure and maintain for the duration of the Agreement, insurance against all claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the FIRM, its agents, representatives, volunteers, or employees.

1. **INSURANCE** Throughout the life of this Contract, the Firm shall pay for and maintain in full force and effect with an insurance company admitted by the California Insurance Commissioner to do business in the State of California and rated not less than "A: VII" in Best Insurance Key Rating Guide, the following policies of insurance:
 - A. **AUTOMOBILE LIABILITY** insurance, endorsed for "any auto" with the following limits of liability: Bodily Injury \$250,000 each person, and \$500,000 each occurrence. Property Damage \$100,000 each occurrence.
 - B. **WORKERS' COMPENSATION** insurance as required under the California Labor Code and Employers Liability Insurance with limits not less than \$1,000,000 per accident/injury/disease.
 - C. **COMMERCIAL OR COMPREHENSIVE GENERAL LIABILITY AND MISCELLANEOUS SUPPLEMENTARY INSURANCE;**

FOR **ADDITIONAL** REQUIREMENT(S):

- (i) **COMMERCIAL OR COMPREHENSIVE GENERAL LIABILITY** insurance which shall include Contractual Liability, Products and Completed Operations coverage's, Bodily Injury and Property Damage Liability insurance with combined single limits of not less than \$1,000,000 per occurrence, and if written on an Aggregate basis, \$2,000,000 Aggregate limit.
- (ii) **PROFESSIONAL LIABILITY**, Not less than \$1,000,000 per Claim/\$2,000,000 Aggregate (3 yr discovery and reporting tail period coverage). Certificate of Insurance only required.

Deductibles and Self-Insured Retentions must be declared and are subject to approval by the CITY.

The Policy(s) shall also provide the following:

1. The Commercial General Liability insurance shall be written on ISO approved occurrence form with additional insured endorsement naming: *City of Stockton, its Mayor, Council, officers, representatives, agents, employees and volunteers are additional insureds.*
2. All insurance required by this Agreement shall be with a company acceptable to the CITY and issued and executed by an admitted insurer authorized to transact insurance business in the State of California. Unless otherwise specified by this Agreement, all such insurance shall be written on an occurrence basis, or, if the policy is not written on an occurrence basis, such policy with the coverage required herein shall continue in effect for a period of three years following the date FIRM completes its performance of services under this Agreement.
3. For any claims related to services or products provided under this contract, the Firm's insurance coverage shall be primary insurance as respects the City of Stockton its officers, agents, and employees. Any coverage maintained by the CITY shall be excess of the Firm's insurance and shall not contribute with it. Policy shall waive right of recovery (waiver of subrogation) against the CITY.

4. Each insurance policy required by this clause shall have a provision that coverage shall not be cancelled by either party, except after thirty (30) days' prior to written notice by certified mail, return receipt requested, has been given to the CITY. Further, the thirty (30) day notice shall be unrestricted, except for workers' compensation, or non-payment of premium, which shall permit ten (10) days advance notice. The insurer and/or the contractor and/or the contractor's insurance agent shall provide the CITY with notification of any cancellation, major change, modification or reduction in coverage.
5. Regardless of these contract minimum insurance requirements, the Firm and its insurer shall agree to commit the Firm's full policy limits and these minimum requirements shall not restrict the Firm's liability or coverage limit obligations.
6. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the California Civil Code.
7. The Firm shall furnish the City of Stockton with the Certificates and Endorsement for all required insurance, prior to the CITY's execution of the Agreement and start of work.
8. Proper address for mailing certificates, endorsements and notices shall be:

City of Stockton
Attention: Risk Services
425 N. El Dorado Street
Stockton, CA 95202
9. Upon notification of receipt by the CITY of a Notice of Cancellation, major change, modification, or reduction in coverage, the Firm shall immediately file with the CITY a certified copy of the required new or renewal policy and certificates for such policy.

Any variation from the above contract requirements shall only be considered by and be subject to approval by the CITY's Risk Manager (209) 937-8617. Our fax is (209) 937-8558.

If at any time during the life of the Contract or any extension, the Firm fails to maintain the required insurance in full force and effect, all work under the Contract shall be discontinued immediately. Any failure to maintain the required insurance shall be sufficient cause for the CITY to terminate this Contract.

If the Firm should subcontract all or any portion of the work to be performed in this contract, the Firm shall cover the sub-contractor, and/or require each sub-contractor to adhere to all subparagraphs of these Insurance Requirements section. Similarly, any cancellation, lapse, reduction or change of sub-contractor's insurance shall have the same impact as described above.

