

3800 Laverne Ave. N.

Lake Elmo, Minnesota 55042 [www.lakeelmo.org](http://www.lakeelmo.org)

**Request for Proposals**

**Professional Auditing Services Fiscal Years Ending 2022-2026**

Kristina Handt Administrator

651-747-3905

KHandt@lakeelmo.org

# CITY OF LAKE ELMO REQUEST FOR PROPOSALS

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**CITY OF LAKE ELMO**

**REQUEST FOR PROPOSALS**

1. **INTRODUCTION**
	1. **General Information**

The City of Lake Elmo is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending December 31, 2022, 2023, 2024, 2025, and 2026. These audits are to be performed in accordance with generally accepted auditing standards. The City may require a single audit in any year of the engagement.

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. The City of Lake Elmo shall not be liable for any expenses incurred by the applicant including but not limited to expenses associated with the preparation of the proposal and preparation of a compensation (fees) schedule or final contract negotiations.

To be considered, one master hard copy of the proposal must be mailed or delivered to the contact listed below and received prior to the deadline. In addition, e-mail an electronic version of the proposal to the contact below:

City of Lake Elmo

Kristina Handt Administrator

3800 Laverne Ave. N.

Lake Elmo, MN 55042

651-747-3905 (direct)

KHandt@lakeelmo.org

**The proposal must be received no later than 4:00 PM on November 10, 2022.**

The City reserves the right without prejudice to reject any or all proposals submitted. Inquiries concerning the request for proposals and the subject of the request for proposals must be made via email to Kristina Handt, Administrator. In the interest of fairness to all respondents, do not contact other staff or elected or appointed officials.

During the evaluation process, the City reserves the right, where it may serve the City’s best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions.

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

It is anticipated the selection of a firm will be completed by December 6, 2022. Following the notification of the selected firm, it is expected a contract will be executed between both parties immediately following the December 6, 2022 meeting of the City Council.

* 1. **Term of Engagement**

A five-year contract is proposed, subject to an annual review by the City. It is anticipated the City will request proposals every five years. In the event of unsatisfactory performance, or when in the best interest of the City, proposals may be solicited before the end of the five-year period.

* 1. **Subcontracting**

No subcontracting will be allowed without the express prior written consent of the City.

# NATURE OF SERVICES REQUIRED

* 1. **Scope of Work to be Performed**

A copy of the City’s 2021 Annual Comprehensive Financial Report is available on the City’s website <https://cms8.revize.com/revize/lakeelmomn/2021%20Audit%20Presentation.pdf>. The scope of work to be performed will be consistent with the audit performed in 2021.

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

For the City of Lake Elmo, the auditor is required to audit the basic financial statements, combining and individual fund statements. The auditor is not required to audit the statistical section of the report.

If the City is required to have a Single Audit for any year covered by this proposal, the pricing for the potential single audit should be reported separately on the fee structure schedule.

* 1. **Auditing Standards to be Followed**

To meet the requirements of this request for proposals, the audit shall be performed in accordance with auditing standards generally accepted in the United States of America; the standards set forth by the American Institute of Certified Public Accountants; the standards for financial audits set forth in the U.S. Government Accountability Office’s (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, and the minimum procedures for auditors of local governments prescribed by the Office of the State Auditor.

* 1. **Reports to be Issued**

The auditor shall prepare the following reports at the completion of the audit:

* + - Issue an opinion letter on the City’s basic financial statements in conformity with accounting principles generally accepted in the United States of America.
		- Issue a report on the consideration of the City’s internal controls over financial reporting.
		- Issue a report on compliance with applicable laws and regulations.
		- Communicate in a letter to management any reportable conditions found during the audit.
		- If a single audit is needed, issue an auditor’s report on the internal control over compliance for major federal programs, an opinion on compliance with requirements applicable to each major federal program, and a summary of auditor’s results and a schedule of findings and questioned costs, if any, required by OMB.
		- Present opinion, procedures, and overview of the City’s financial condition to the City Council.
	1. **Special Considerations**

The City of Lake Elmo will submit its annual comprehensive financial report to the GFOA for review in their Certificate of Achievement for Excellence in Financial Reporting program. The City has received the GFOA Certificate of Achievement for Excellence in Financial Reporting since 2013, and intends to continue to submit future reports for the award. It is anticipated that the auditor may be required to provide assistance to continue to meet the requirements of this program.

Additional assistance regarding the specifics of the future implementation and compliance with the reporting requirements mandated by GASB may be required.

* 1. **Retention of Workpapers and Access to Working Papers**

All working papers and reports must be retained, at the auditor's expense, for a minimum of six

(6) years, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees: City of Lake Elmo, State Auditor’s Office, U.S. General Accounting Office (GAO), Federal Cognizant Agency, and parties designated by the federal or state governments or by the City of Lake Elmo as part of an audit quality review process.

All data relating to the audit, including work papers, will be subject to the same data classifications that apply under Minn. Stat. § 6.715. The auditor conducting a City audit must provide access to such data relating to the audit and is liable for unlawful disclosure of the data as if it were a government entity under Minn. Stat. Ch. 13.

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 OF THE CITY OF LAKE ELMO

The City of Lake Elmo was incorporated in 1926 and is a statutory city in the State of Minnesota, six miles east of St. Paul, Minnesota. Located in Washington County, it covers 25 square miles and has an estimated 2020 population of 12,655, which represents 4,004 households.

Lake Elmo operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. Under this plan, the government of the city is directed by a city council composed of an elected mayor and four elected city council members. The city council exercises legislative authority and determines all matters of policy. The city council appoints personnel responsible for the proper administration of all affairs relating to the city. The Mayor and Council members serve four-year terms.

The City provides a full range of services to its citizens including fire protection services, construction and maintenance of streets and infrastructure, recreational facilities, and water, sanitary sewer and storm water utility services. The City contracts with the Washington County Sheriff’s Department for police services.

The City’s finance department is headed by the Finance Director (currently vacant) and consists of an accountant and utility billing clerk. The City does not maintain an internal audit function other than internal checks performed by the finance department.

The City uses Springbrook financial software with a range of fully integrated accounting and human resource modules. The sole exception is utility billing which uses Banyon.

Interested proposers who wish to review prior years’ management letters should contact Kristina Handt, Administrator. The City of Lake Elmo will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposal.

More detailed information on the government, fund structure and operations can be found in the Budget Document and in the 2021 Annual Comprehensive Financial Report which can be found on the City’s website at <https://www.lakeelmo.org/departments/administration/departments_administration_budget_and_finance.php>.

# TIME REQUIREMENTS

* 1. **Anticipated Proposal Calendar**

The following is a list of key dates regarding the selection process:

1. Due date for questions November 4th, 2022, by 4:00 p.m.
2. Due date for proposals November 10th, 2022
3. Proposal recommended for Council consideration December 6th, 2022
	1. **Notification**

It is anticipated that the staff recommended firm will be notified prior to December 6, 2022.

* 1. **Schedule for Audit Completion**

Entrance Conference (January 2023) – The purpose of this meeting will be to discuss prior audit issues (if applicable) and the interim work to be performed. The auditor shall provide the City both a detailed audit plan and a list of all schedules to be prepared by the City.

Interim Work (February 2023) – The schedule for interim work will be determined upon completion of the selection process. It is desirable to complete as much work as possible on an interim basis.

Fieldwork (April 2023) – The auditor shall complete all fieldwork by the end of April. It is desirable that fieldwork be completed in one block of time. The auditor will schedule progress conferences as needed to discuss the status of fieldwork and any potential issues that arise.

Report Preparation (May 2023) – The auditor shall complete the draft audit report and financials. The City will review the draft and will complete the management discussion and analysis (MD&A). The auditor will make necessary updates after the City reviews and will incorporate the MD&A to have a final draft completed by the end of May.

Exit Conference, Final Reports, and Council Presentation (June 2023) – The purpose of the exit conference will be to summarize the results of fieldwork, review significant findings, and review reports to be issued. Presentation to City Council at a regular council meeting by the end of June with final reports to be delivered on the Wednesday prior to the meeting.

# ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

* 1. **Finance Department Assistance**

Finance Department staff and responsible management personnel will prepare the necessary workpapers and be available during the audit to assist the firm by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of the City as directed by the auditor.

* 1. **Report Preparation**

Report preparation, editing, and printing shall be the responsibility of the auditor. City staff will be involved in reviewing the financial statements prior to final preparation by the auditor.

# PROPOSAL REQUIREMENTS

* 1. **General Requirements**
1. **Inquiries**

Inquiries concerning the request for proposals and the subject of the request for proposals must be addressed in writing to:

Kristina Handt

Administrator - City of Lake Elmo KHandt@lakeelmo.org

3800 Laverne Ave. N.

Lake Elmo, MN 55042

All responses, questions, and correspondence should be directed to Kristina Handt. In the interest of fairness to all respondents, do not contact other staff or elected or appointed officials.

Written questions on the RFP will be accepted until Friday, November 4, 2022 at 4:00 p.m. to allow time for staff to respond in writing to all holders of this RFP. Written questions submitted after Friday, November 4, 2022 at 4:00 PM may go unanswered.

1. **Submission of Proposals**

The following material is required to be received by November 10, 2022 at 4:00 p.m. for a proposing firm to be considered:

* 1. **Title Page**

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

* 1. **Table of Contents**
	2. **Transmittal Letter**

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

* 1. **Detailed Proposal**

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

* + 1. Executed copy of the Proposer Guarantees and Warranties (attached to this request for proposal – Appendix A)
		2. Schedule of Professional Fees and Expenses for the Audit (attached to this request for proposal – Appendix B)
	1. **Audit Proposal**
1. **General Requirements**

The purpose of the 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. As such, the substance of proposals will carry more weight than their form or manner of presentation. The proposal should demonstrate the qualifications of the firm and of the staff to be assigned to the engagement. It should also specify an audit approach that will meet the request for proposals requirement.

The proposal should address all the points outlined in the request for proposal. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer’s capabilities to satisfy the requirements of the request for proposal. While additional data may be presented, the following subjects, items 2 through 9, must be included. They represent the criteria upon which the proposal will be evaluated.

1. **Independence**

The firm should provide an affirmative statement that it is independent of the City as defined by the generally accepted auditing standards.

1. **License to Practice in Minnesota**

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

1. **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 on a part-time basis.

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

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

1. **Partner, Supervisory, and Staff Qualifications and Experience**

The proposal should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors, and specialists, who would be assigned to the engagement. Indicate whether each such person is registered or licensed to practice as a certified public accountant in Minnesota. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted, or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City. Other audit personnel may be changed at the discretion of the firm provided that replacements have substantially the same or better qualifications or experience.

1. **Similar Engagements with Other Government Entities**

Describe the firm’s experience with local government audits and audits of federal programs. For the firm’s office that will be assigned responsibility for the audit, list the most significant engagements performed in the last three years that are similar to the engagement described in this request for proposal and are cities awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. Specifically identify those engagements at which the managers and other supervisors who will be assigned to this engagement have worked.

1. **Specific Audit Approach**

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed. Firms should provide the following information on their audit approach:

* 1. Proposed timing and segmentation of the engagement
	2. Level of staff and number of hours to be assigned to each proposed segment of the engagement
	3. Sample sizes and to the extent to which statistical sampling is to be used in the engagement
	4. Extent of use of computer software in the engagement
	5. Type and extent of analytical procedures to be used in the engagement
	6. Approach to be taken to gain and document an understanding of the City’s internal control over financial reporting and internal control structure
	7. Approach to be taken in determining laws and regulations that will be subject to compliance test work
	8. Approach to be taken in drawing audit samples for purposes of tests of compliance
1. **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.

Specifically include firm’s response to the pandemic and changes in data security protocols.

Please address remote workforce collaboration with clients during fieldwork.

1. **The proposal should include acknowledgement of the required audit schedule and a statement as to the firm’s ability to meet the schedule.**
	1. **Dollar Cost Proposal (Appendix B)**
2. **Total All-inclusive Maximum Price**

The City will not be responsible for expenses incurred in preparing and submitting the proposal. Such costs should not be included in the proposal.

The dollar cost proposal should specify all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price is to include all direct and indirect costs, including all out-of-pocket expenses for each of the years ending 2022-2026.

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

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

1. **Single Audit**

Since the Single Audit work is based on the requirements of individual grants which may vary, the cost of the Single Audit may be stated separately and may be based on an hourly rate and estimated minimum hours needed to complete a basic Single Audit.

1. **Rates for Additional Professional Services**

If it should become necessary for the City to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the dollar cost bid.

1. **Manner of Payment**

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

# EVALUATION PROCEDURES

* 1. **Selection Committee**

Proposals submitted will be evaluated by a two-member Selection Committee consisting of the City Administrator and Senior Fiscal Consultant from Ehlers.

* 1. **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
	1. The audit firm is independent and licensed to practice in Minnesota.
	2. The audit firm’s professional personnel have received adequate continuing professional education within the preceding three years.
	3. The firm has no conflict of interest with regard to any other work performed by the firm for the City.
	4. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
	5. The firm submits a copy of its last external quality control review report, including any letter of comments. The firm must have a record of quality work.
2. Technical Qualifications
3. Expertise and Experience
	1. The firm exhibits expertise based on past experience and performance on comparable government engagements.
	2. The firm has demonstrated an ability to assist its governmental clients in attaining and retaining the GFOA Certificate of Achievement in Financial Reporting.
	3. The quality of the firm’s professional personnel to be assigned to the engagement and the quality of the firm’s management support personnel to be available for technical consultation.
	4. Location of the offices performing the work and availability/responsiveness of staff, as derived from the written proposal.
4. Audit Approach
	1. Adequacy of proposed staffing plan for various segments of the engagement
	2. Adequacy of analytical procedures and sampling techniques
	3. Ability to meet desired timing of engagement and scheduled deadlines
5. Price Consideration

The cost of the audit for the years 2022-2026 should be calculated on the “Schedule of Professional Fees and Expenses” (Appendix B). Cost will not be the only factor the review committee will use to evaluate proposing firms.

* 1. **Oral Presentations**

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

* 1. **Final Selection**

The City intends to select a firm based upon the recommendation of the Selection Committee. It is anticipated that the Council will approve the recommended firm on December 6, 2022.

* 1. **Right to Reject Proposals**

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

# APPENDIX A

**PROPOSER GUARANTEES AND WARRANTIES**

1. The proposer certifies it can and will provide, as a minimum, all services set forth in the proposal.
2. Proposer warrants that it does not have any conflicts of interest with the City of Lake Elmo, its management staff, or its elected officials.
3. Proposer warrants that the firm and all assigned key professional staff are properly licensed to practice in the state of Minnesota.
4. Proposer warrants that it is willing to and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees, or agents thereof.
5. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Lake Elmo.
6. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name (typed): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Firm: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**APPENDIX B**

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES**

**FOR THE AUDITS OF 2022-2026 FINANCIAL STATEMENTS**

**CITY OF LAKE ELMO**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Position |  |  Hours  |  | Standard Hourly Rates |  | Proposed Hourly Rates |  | Total  |
| Partners |  |  |  | $ |  | $ |  | $ |
| Managers |  |  |  |  |  |  |  |  |
| Supervisory Staff |  |  |  |  |  |  |  |  |
| Staff |  |  |  |  |  |  |  |  |
| Other People |  |  |  |  |  |  |  |  |
| Expenses |  |  |  |  |  |  |  |  |
| Other Costs |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Subtotal - City Audit |  |   |  |  |  |  |  | $ |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | Hours |  | Average Rate |  |  |  | Total |
| Single Audit |  |   |  | $ |  |  |  | $ |

|  |
| --- |
| Summary Schedule |
| Year | Audit FeeTotal All-Inclusive Maximum Price | ACFR PreparationMaximum Price | Single Audit Cost, if Required | Total All-Inclusive Cost |
| 2022 | $ | $ | $ | $ |
| 2023 | $ | $ | $ | $ |
| 2024 | $ | $ | $ | $ |
| 2025 | $ | $ | $ | $ |
| 2026 | $ | $ | $ | $ |