

CITY OF PRINCETON

REQUEST FOR PROPOSALS

PROFESSIONAL AUDIT SERVICES

FOR THE FISCAL YEARS ENDING APRIL 30, 2019, 2020 AND 2021

PROPOSALS MUST BE RECEIVED BY

THE CITY CLERK'S OFFICE BY

9:00 a.m. on Thursday March 7, 2019

REQUIRED FOR USE BY THE CITY OF PRINCETON

REQUEST FOR PROPOSALS

The City of Princeton will receive sealed proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending April 30, 2019, 2020 and 2021 with the option of auditing the financial statements for fiscal years 2022 and 2023, at the request of the City, in accordance with this request for proposal.

Proposals will be accepted by the Finance Department until 9:00 AM local time, on Thursday, March 7, 2019, at which time all proposals will be opened and publicly acknowledged. All proposals must be received prior to the date and time shown above. Proposals transmitted by facsimile will not be accepted.

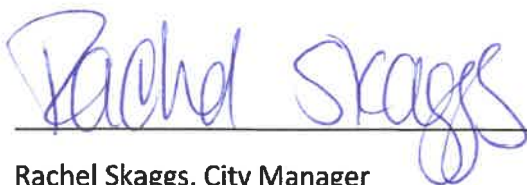
Proposals must be submitted in a sealed envelope marked in the lower left-hand corner:

AUDIT SERVICES PROPOSAL

PROPOSAL OPENING: Thursday March 7, 2019 - 9:00 a.m.

Address the proposal to, City Manager, City of Princeton, City Hall, 2 Main Street S., Princeton, IL 61356. A bid deposit is not required.

For the City of Princeton,



Rachel Skaggs, City Manager

**CITY OF PRINCETON, ILLINOIS
REQUEST FOR PROPOSALS
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I. General Information

A. Purpose and Invitation to Submit Proposal

The City of Princeton is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending April 30, 2019, 2020 and 2021 with the option of auditing the financial statements for fiscal years 2022 and 2023, at the request of the City, in accordance with this request for proposal.

There is no expressed or implied obligation for the City of Princeton to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. During the evaluation process, the City of Princeton reserves the right, where it may serve the City's best interest, to request additional information or clarification from proposers, or to allow corrections of errors or omissions. At the discretion of the City of Princeton, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

If any firm submitting a proposal intends on subcontracting out all or any portion of the engagement, that fact, and the name of the proposed subcontracting firm{s}, must be clearly disclosed in the proposal. Following the award of the audit contract, no additional subcontracting will be allowed without the prior written consent of the City.

B. Description of City

The City of Princeton serves a population of 7,583. The City operates under the Council-Manager form of government. The City Council consists of a Mayor and four Members. The City is organized into departments, having a total payroll of approximately \$5.6 million covering 103 employees. The accounting and financial reporting functions of the City are centralized.

The City of Princeton provides the following services to its citizens: police and fire protection, street maintenance and construction, water and sewer, refuse, electric utilities, building and code enforcement, economic development and general administrative functions. The City of Princeton utilizes fund structures in accordance with current governmental accounting standards.

During the current fiscal year FY2019, the City of Princeton expects to receive the following financial assistance and state revenue sources:

- State Payments: Income Tax, Motor Fuel Tax, Sales and Use Taxes, Municipal Telecommunications Tax and Personal Property Replacement Tax

The City has applied for several other grants. As of the date this request for proposals was released there was no further information on the status of these applications.

The City of Princeton participates in three pension plans. These are the Illinois Municipal Retirement Fund, the City of Princeton Firefighters' Pension Fund, and the City of Princeton Police Pension Fund.

The City of Princeton includes the Police and Firefighters' Pension Funds in the City's financial statements.

The Finance Department is headed by Rachel Skaggs, City Manager and includes Bob Davidson, City Treasurer and a contracted firm, Lauterbach & Amen, LLP. The principal functions performed and the number of employees assigned to each is as follows:

<u>Function</u>	<u>Number of Employees</u>
Finance Administration	1
Accounting	2
Accounts Payable	1
Payroll	1
Utility Billing	2
Customer Service	1

Following is a summary of the computer hardware and software utilized in recording financial transactions:

Type of Equipment	Number	Make of Equipment
<u>Accounting Software</u>	<u>1</u>	<u>Caselle Clarity</u>

The following information on the City's financial activity is approximately:

Vendor Checks Issued Annually:	3,039
Annual Payroll:	\$5.6 MM
Payroll Checks Issued Annually:	2,660
Utility Customers:	4,650
Utility Bills Issued Annually:	55,548

FY2019 Budget: \$27,058,795

Previous year audits can be found at: <https://www.princeton-il.com/city-finances/>

More detailed information on the government and its finances can be found in the City's 2018 Budget and the Annual Financial Report {AFR} for the Year Ended April 30, 2018. The budget, AFR and other pertinent statements can be viewed at City Hall upon request or by visiting <https://www.princeton-il.com/>.

II. NATURE OF SERVICES REQUIRED

A. General

The City of Princeton is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal years ending April 30, 2019, 2020 and 2021 with the option of the City to engage the firm in accordance with this request for proposal for the auditing of the financial statements for fiscal years 2022 and 2023. These audits are to be performed in accordance with auditing standards generally accepted in the United States (GAAS) for governmental agencies as well as the provisions set forth in this request for proposals.

B. Entity to be Audited

The City of Princeton is requesting an audit which includes all the funds, accounts, capital assets, long-term debt and activities of the City of Princeton and one component unit – The City-owned Hospital. The City of Princeton is not a component unit of any other government.

C. Scope of Work to be Performed

It is the City's intent to have the auditor prepare, edit and produce all sections of the Annual Financial Report {AFR} of the City and the Annual Financial Report {Comptroller Report} each year based on financial and other information provided by the City of Princeton.

The auditor is not required to audit the statistical section of the report.

The auditor will report on compliance with Public Act 85-1142 for each Tax Increment Financing District.

D. Reports to be Issued

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

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles (and Government Auditing Standards when

a single audit is requested). 10 bound copies and one unbound copy of the AFR are to be provided by the auditor and a PDF file.

2. A report on compliance with Public Act 85-1142 for each Tax Increment Financing District. A PDF of the report is to be provided.
3. The Annual Financial Report that must be filed with the State of Illinois shall be prepared and filed by the auditor with two {2} copies provided to the City.
4. If required, a separate report in accordance with OMB Circular A-133.

In addition to the reports indicated above:

1. The auditor shall communicate in a letter to management any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.
2. Auditors shall be required to make an immediate written report of all irregularities and illegal acts of which they become aware and present such report to the {Board, Commissioners, Trustees etc}.

Auditors shall inform the City of Princeton of each of the following:

1. The auditor's responsibility under generally accepted auditing standards.
2. Significant accounting policies.
3. Management judgments and accounting estimates.
4. Significant audit adjustments.
5. Other information in documents containing audited financial statements.
6. Disagreements with management.
7. Management consultation with other accountants.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.

E. Working Paper Retention and Access to Working Papers

Working papers and reports must be retained, at the auditor's expense, for a minimum of three years, unless the firm is notified in writing by the City of Princeton 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 designee:

1. City of Princeton
2. Auditors of entities of which the City of Princeton is a sub-recipient of grant funds

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers from prior years' audits.

F. Time Requirements

The City of Princeton will make all records and management personnel available to meet with the firm's personnel any time after the award of contract. The City expects to have fully adjusted trial balances available no later than June 30th of each year.

Each of the following shall be completed by the auditor no later than the dates indicated.

1. Detailed Requested Items List

The auditor shall provide the City of Princeton a list of all schedules to be prepared by the City prior to the audit by no later than April 30th of each year.

2. Fieldwork

The auditor shall begin the fieldwork portion of the audit by July 1st and to complete all fieldwork within 8 weeks of initiation of the audit. The City shall be notified, in advance, of the audit team to be assigned to the City's engagement.

3. Draft Reports

The auditor shall supply two {2} copies of the draft of the AFR including the auditor's report, financial statements, notes to the financial statements and recommendations to management available by no later than August 30th of each year.

4. Final Reports

All financial statements and reports must be delivered to the City in final and complete form by no later than the September 30th of each year.

G. Assistance to be Provided to the Auditor

Finance Department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmation letters will be the responsibility of the City of Princeton. The mailing of the confirmation letters shall be the responsibility of the auditing firm.

The City will have personnel available to assist the auditor in performing the engagement. The City will have personnel will also be available to provide system documentation and explanations.

The City of Princeton will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to telephone, internet access, and photocopying facilities.

III. INSTRUCTIONS FOR PREPARING PROPOSALS

A. Rules for Proposals

The following material is required to be submitted for a proposing firm to be considered:

1. Two copies and one electronic version of the proposal shall be submitted and shall include the following:
 - a. Title Page - the title page shall show the request for proposal's subject; the firm's name and address; the name and telephone number of a contact person; and the date of the proposal.
 - b. Table of Contents.
 - c. Transmittal Letter - a signed letter of transmittal briefly stating the proposers understanding of the work to be done, the commitment to perform the work within the established time period, a statement why the firm believes itself to be the best qualified firm to perform the engagement and a statement that the proposal is a firm and irrevocable offer for sixty {60} days.
 - d. Detailed Technical Proposal - The detailed technical proposal is set forth in Section III-B of this request for proposal.
 - e. Fee Proposal - the proposed fees should be presented using Appendix A. The proposed fees shall be the maximum, not to exceed fee for each fiscal year shown.
 - f. Peer Review Opinion
 - g. Certification of Compliance - submit Appendix B
2. Proposers must send the completed proposal to the following address:

Rachel Skaggs, City of Princeton
2 Main Street S.
Princeton, IL 61356

No late proposals will be considered.

B. Technical Proposal

1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity, of the firms seeking to undertake an independent audit of the City of Princeton in conformity with the requirements of this request for proposal. As such, the substance of proposals will carry more weight than their form or manner of presentation. However, the presentation will be considered as an example of the type of work typical of that of the firm. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposal's requirements.

The technical 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, item Number 2 through 7 must be included. They represent criteria against which the proposal will be evaluated.

2. Independence

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

The firm shall also list and describe the firm's professional relationships involving the City of Princeton or any of its agencies, its elected or appointed officials and employees for the past five years, together with a statement explaining why such relationships, if any, do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City of Princeton written notice of any professional relationships entered into during the period of this agreement should it be thought to cause a conflict of interest.

3. License to Practice in Illinois

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

4. Firm Qualifications and Experience

The proposal shall 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.

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 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 years with state regulatory bodies or professional organizations.

The proposal should identify and describe any pending or previous litigation the firm was involved in over the past three years which dealt with the quality of audit work or of pricing of auditing services rendered.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Illinois. The firm also should provide information on the government auditing experience of each person, including membership in professional organizations relevant to the performance of this audit.

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

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

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

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

6. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements performed in the last three years that are similar to the engagement described in this request for proposals.

7. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed to perform the services required in Section II of this request for proposal. Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement.
- b. Level of staff to be assigned to each proposed segment of the engagement.
- c. The extent to which statistical sampling is to be used in the engagement.
- d. Extent of use of software in the engagement.
- e. Type and extent of analytical procedures to be used in the engagement.
- f. Approach to be taken to gain and document an understanding of the City of Princeton's internal control structure.
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance.

C. Fee Proposal

1. Total All-inclusive Maximum Fee

The fee proposal should contain all pricing information relative to performing the audit engagement as described in this request for proposals on a "not to exceed" basis for the years ending April 30, 2019 through April 30, 2021, along with a City option for years 2022 and 2023. The option will be solely that of the City based on satisfactory negotiations or the fee with the auditor at that time. The total all-inclusive maximum price proposed is to contain all direct and indirect costs including all out-of-pocket expenses.

2. Rates for Additional Professional Services

If it should become necessary for the City of Princeton to request that the auditor render any additional services to either supplement the services requested in this request for proposals or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the City of Princeton and the firm. Any such additional work agreed to between the City of Princeton 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 {Appendix A}. Work performed outside the scope of services outlined in this request for proposal is to be performed only at the written request of the City of Princeton.

3. 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 bid proposal.

IV. EVALUATION OF PROPOSALS

A. Evaluation Process

1. Proposals will be evaluated by a Selection Committee.
2. The Selection Committee will evaluate the technical proposal submitted by each firm using the criteria shown in Section IV-B.
3. The Selection Committee will select that proposal which is judged to be the most responsive to the City's requirements, and based on ability and fee, appears to be best able to serve the City. The Selection Committee will present its recommendation to the City Council.
5. Award of the contract is approved by the City Council.

B. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process.

1. Mandatory Elements
 - a. The audit firm is independent and licensed to practice in Illinois.
 - b. The audit firm's professional personnel have received adequate continuing professional education pertinent to the audit of governments.
 - c. The firm has no conflict of interest with regard to any other work performed by the firm for the City of Princeton.
 - d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.
 - e. The firm adheres to the instructions in this request for proposals on preparing and submitting
2. Technical Qualifications: The firm will be evaluated on the following:
 - a. Expertise and Experience
 1. The firm's past experience and performance on comparable government engagements.

2. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.

b. **Audit Approach**

1. Adequacy of proposed staffing plan for various segments of the engagement.
2. Adequacy of sampling techniques.
3. Adequacy of analytical and other procedures.

3. All-inclusive maximum, not to exceed, fee.

C. **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.

D. **Right to Reject Proposals**

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

E. **Question and Answer Meeting**

The City of Princeton will allow audit firms to meet with the City Manager to ask any questions they would like answered prior to the oral presentation. Dates and times located in Appendix B.

Appendix A **FEE PROPOSAL**

SCHEDULE OF PROFESSIONAL FEES FOR THE AUDIT OF THE FINANCIAL STATEMENTS AS OF (MONTH AND DAY) FOR THE FISCAL YEARS LISTED BELOW:

Regular audit:

2019	2020	2021	2022	2023
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

SCHEDULE OF PROFESSIONAL FEES FOR ADDITIONAL SERVICES,

Quoted Hourly Rates for the Fiscal Years listed below:

	2019	2020	2021	2022	2023
Partner	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Manager	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Supervisor	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Staff	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
{Other}					
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
{Other}					

Firm Name: _____

Address: _____

Signature: _____

Date: _____

Printed Name: _____

Title: _____

Telephone Number: _____

Appendix B Tentative Schedule of Dates

<u>Date</u>	<u>Description</u>
<u>Tuesday, February 12, 2019</u>	Send requests for Statement of Qualifications.
<u>Thursday March 7, 2019</u>	Statement of Qualifications due to the City.
<u>Week of March 11, 2019</u>	Committee to select firms for interviews.
<u>Week of March 25, 2019</u>	Conduct interview of selected firms. Committee to provide a recommendation to the City Council.
<u>April 9, 2019</u>	Possible City Council action on contract.

The City reserves the right to push back this timeline to later dates.