

CITY OF NORTHAMPTON
REQUEST FOR PROPOSALS
FOR
AUDITING SERVICES

The City of Northampton, Massachusetts invites qualified, independent public accountants, licensed to practice in the Commonwealth of Massachusetts, to submit proposals to conduct an audit of its financial accounts and records in accordance with the specifications listed below.

I. INFORMATION FURNISHED TO PROPOSER

A. GENERAL INFORMATION

1. Per the City's Charter, "*The city council shall annually provide for an outside audit of the books and accounts of the city to be conducted by a certified public accountant or firm of certified public accountants, which has no personal interest direct or indirect, in the fiscal affairs of the city or any of its officers. The mayor shall annually provide to the city council a sum of money sufficient to the estimated cost of conducting the audit as presented to the mayor, in writing, by the city council. The award of a contract audit shall be made by the city council on or before September 15 of each year. The clerk of the council shall coordinate the work of the individual or firm selected. The report of the audit shall be filed in final form with the city council not later than March 1 in the year following its award.*"
2. The city government consists of the following elected positions: mayor, city council, city clerk, public school committee, and board of trustees for the Smith Vocational and Agricultural School.

As chief executive officer, the Mayor appoints, subject to city council approval, all other principal executive officers of the city. The Mayor is responsible for the administration of the fiscal and other affairs of the city with the exception of local school affairs, which are administered by the School Committee.

The City Council consists of nine members; seven ward councilors and two at-large councilors each serving a two year term. The city is divided into seven wards with a roughly equal number of voters in each ward. The city council is the legislative body for the city and is responsible for adopting the budget as prepared by the mayor and for adopting city ordinances.

The City provides general governmental services including police and fire protection, water and sewer services, including a water treatment facility, wastewater treatment facility, street maintenance, parks, recreational facilities and education for grades kindergarten through twelve. The current work force of the City is approximately 990 FTEs equivalent to approx. 1,100 employees.

The City provides for two school districts and education is the single largest spending category within the budget. Northampton Public Schools consist of four elementary level schools for grades kindergarten through grade 5; a middle school for grades 6 – 8 and a high school for grades 9 – 12. The city also has a funding commitment for Smith Vocational and Agricultural High School located within city limits. The financial and organizational structure of Smith Vocational presents unique challenges for the city. Like other vocational schools in the state, SVAHS provides educational services to surrounding communities; however, unlike other vocational schools, the monies paid to the school are derived from state Chapter 70 formulas and tuition from sending communities.

The Northampton Public School Committee members consists of two (2) at-large school committee members, seven (7) ward school committee members, and the Mayor who serves as the committee's chair. The School Committee has exclusive jurisdiction over the city's public school system and appoints a superintendent to administer the day-to-day affairs of the school system.

The Smith Vocational School is governed by a Board of Trustees consisting of three elected trustees, the mayor, and the city public school system superintendent.

Additional information regarding the City is also available on the City's website www.northamptonma.gov.

B. THE CITY'S BUDGET

1. The City's annual budget is \$103,087,380 and is comprised of an \$87,903,856 General Fund and Enterprise Funds for Water (\$6,617,188), Sewer (\$6,074,067), Solid Waste (\$517,593) and Storm Water (\$1,974,676).
2. The fiscal year 2014 audit was performed by Scanlon & Associates, LLC and the firm is under contract to complete the fiscal year 2015 audit. The opinion for FY 2014 is unmodified. The 2014 audit report and management letter are available on the city website at <http://northamptonma.gov/739/Annual-Audits> or by request to Pamela L. Powers, Administrative Assistant to the City Council, 210 Main St., Room 16, Northampton, MA 01060.

3. The City maintains its general ledger in accordance with the Massachusetts Uniform Municipal Accounting System established by the Bureau of Accounts on a modified accrual basis. Most financial records of the City have been converted to an automated system (Munis). Cash, Accounts Receivable and Interdepartmental reconciliations will be made by the City at year-end.

C. NATURE OF SERVICES REQUIRED

1. The firm is to conduct an examination of the City's basic financial statements to ensure compliance with relevant state statutes and city ordinances. This examination is to be performed in accordance with generally accepted auditing standards applicable to financial audits contained in the most recent *Government Auditing Standards*, issued by the Comptroller General of the United States. These audits shall be provided annually for fiscal years ending June 30, 2016, 2017 and 2018.
2. In addition to the financial audit, the firm is to conduct an audit in accordance with the Single Audit Act of 1984 (P.L. 98-502), as codified in Chapter 75 of Title 31 of the United States Code and the regulations established to implement this law by the Director of the Office of Management and Budget OMB Circular A-133. This compliance audit shall be provided annually and will cover the fiscal year ending June 30, 2016, 2017 and 2018. The auditor shall be responsible for filing the Single Audit with the Federal Audit Clearinghouse.
3. The firm is to conduct an End of Year audit of the Northampton Public School District and Smith Vocational and Agricultural High Schools' financial records, to include using the Department of Elementary & Secondary Education Compliance Supplement.
4. The firm is to examine records and methods of record keeping of the City and Schools providing assurance of compliance with all federal funding and grant program requirements. These audits will include Title I and SPED Grants at Northampton Public Schools and Smith Vocational and Agricultural High School and the Community Development Block Grant Program for the City. Audits of the School Lunch program at each school district will be necessary in FY 2017 only as they are conducted every three years (last conducted in FY 2014).
5. In addition to the examination of internal controls, the firm shall also examine a minimum of four (4) and a maximum of six (6) separate departments of the City government chosen by the City per audit year, including a written evaluation of those systems and recommended improvements of the same.

6. In addition to completing the annual audit, the accounting firm shall be available during business hours by phone and e-mail, throughout the contract period, to provide the City with advice and guidance on routine financial accounting and reporting issues. The accounting firm is also expected to keep the City abreast of the working requirements of all new accounting and financial reporting pronouncements of the Government Accounting Standards Board, the United States Office of Management and Budgets and the Commonwealth of Massachusetts.
7. It is expected that a management level member of the auditing team participate in Bond rating calls with the city's Finance Director.
8. Prior to the commencement of the audit, the firm's schedule of information needed from each department is to be submitted to the Finance Director. In addition, the auditing team will hold an entrance conference with the Finance Committee and the Finance Director.
9. At the conclusion of each annual audit, a management level representative of the accounting firm will be expected to appear before the Mayor and City Council to discuss the findings resulting from the audit.
10. At the conclusion of the audit, all audit work papers are the property of the City and shall be retained for a period of at least seven years. Upon request, all work papers, preferably in electronic format, shall be provided without charge to authorized City personnel, and representatives of Federal or State Agencies in accordance with Federal Law, State Law and other regulations. Working papers will also be made available for examination, at charge, or duplication, at a reasonable charge, to subsequent auditors engaged by the City.

D. REPORT REQUIREMENTS

Prior to completion of the management letter, the firm shall meet with the Finance Committee and Finance Director to review the findings and recommendations in detail. Draft copies all reports and a management letter shall be reviewed and discussed at the meeting. Subsequently the accounting firm will be required to meet with the City Council to review the results of the audit.

The accounting firm will print, bind and submit as many copies of the aforementioned reports as is necessary to satisfy the City's reporting requirements to state and federal regulatory and oversight agencies plus 20 bound copies and 1 electronic version to the City.

Written reports that are required at the completion of the audit include:

1. An auditor's opinion as to whether the general purpose financial statements fairly represent the financial position of the City and the results of its financial operations in accordance with generally accepted accounting principles. In addition, the report must contain an auditor's opinion whether the supplemental statement of federal assistance presents fairly the actual grant data in relation to the general-purpose financial statements. The supplemental statement of federal assistance must show the total expenditures for each federal assistance program. All financial statements and notes presented in the audit shall be in conformity with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards and other applicable pronouncements.
2. An auditor's statement whether an internal control system exists to provide reasonable assurance that funds are managed in compliance with applicable laws and regulations. Further, the auditor's report must identify the City's significant internal accounting controls designed to provide for compliance. The auditor shall report the controls that were evaluated, and the material weaknesses identified, if any, as a result of the evaluation.
3. An auditor's statement on compliance with grant requirements. The statement shall include: a statement of positive assurance with respect to those items tested for compliance, including compliance with law and regulations pertaining to financial reports and claims for advances and reimbursements; a statement of negative assurance on those items not tested; a summary of all instances of noncompliance; and an identification of total amounts questioned, if any, for each federal assistance award, as a result of noncompliance.
4. A management letter, which shall identify any management weaknesses observed and the assessed effect on financial management. The management letter shall also summarize specific recommendations necessary to achieve compliance. The final copy of the management letter shall contain the City's printed responses for each finding.
5. An auditor's statement on compliance with school EOY report as required by the Massachusetts Department of Education compliance supplement.

E. TIMING

1. Qualified public accounting firms wishing to present the City of Northampton with a formal proposal for providing independent audit services for the next (3) fiscal years should forward (6) copies of their proposal to:

Pamela L. Powers

Administrative Assistant to the City Council
City of Northampton
210 Main Street, Room 16
Northampton, MA 01060

Not later than 12 noon (Eastern Standard Time) on Friday, August 21, 2015.
All proposals must be in a sealed envelope and clearly marked, "City of
Northampton Audit Services Proposal."

If you desire additional information please contact Pamela L. Powers,
Administrative Assistant to the City Council, 210 Main St., Room 16, Northampton,
MA 01060 or by email @ ppowers@northamptonma.gov.

2. The audit contract award is scheduled on or about September 15, 2015 but is subject to change at the discretion of the City Council.
3. The anticipated date for which preliminary work may commence is May 15, 2016. No work is to commence prior to the full execution of the contract.
4. The draft reports will be reviewed with the Finance Committee and the Finance Director at an exit conference to be held no later than December 15.
5. The final annual audit reports will be completed by December 31 and a presentation of such reports will be made to the City Council at a mutually agreed upon time.

F. AWARD OF CONTRACT AND REJECTION OF PROPOSALS

1. Award will be based on a combination of price, experience and ability to complete the work in accordance with the schedule.
2. The firm must be willing to enter into the City's standard contract (attached) and include the signature page in the quote signed by an authorized signatory for the firm.
3. The City Council for the City of Northampton reserves the right to reject any or all proposals, waive minor informalities and to award the contract in the best interest of the City.
4. The City of Northampton reserves the right to accept a proposal which is not the lowest in price if the City Council deems it to be for the best interest of the City of Northampton.
5. The City of Northampton reserves the right to waive any informalities in the proposal process or in the proposals themselves.

6. The City of Northampton reserves the right to negotiate with any qualified vendor if the City Council deems it to be for the best interest of the City of Northampton.
7. The City of Northampton may reject any proposal which in its opinion is incomplete or contains conditions not called for, erasures not properly initialed or other irregularities.

G. CITY RESPONSIBILITIES

The City shall provide the auditors with reasonable workspace, desks, and chairs. The auditors will also be furnished access telephones, facsimile machines, and photocopying machines. Because of the limited office and conference room space, the City is unable to guarantee continuous use of any one room or a secure storage area for the auditor's equipment, papers, and other belongings.

The City's assistance to the accounting firm will be specifically limited to:

1. The City will provide worksheets and back-up documents required by the Department of Revenue for the certification of Free Cash.
2. Locating appropriate records (the pulling and filing of specific documents will be the responsibility of the accounting firm which will be required to re-file these documents in an orderly manner).
3. Meeting and conferences (by appointment, if necessary).
4. The City's fiscal year ends on June 30th. Preliminary financial and other records and reports will generally be available for audit by September 15th of the next fiscal year. Testing and review of internal controls may take place earlier at a mutually agreed upon time.

H. BILLINGS

Prices quoted shall include the cost of all labor, materials, insurance, and all other necessary expenses to fulfill the conditions of the contract. All travel costs to be incurred by the firm shall be paid by the firm. The City of Northampton will not pay for travel time or any travel related expenses.

Payments shall be made upon completion of services for each audit type.

I. OTHER PROPOSAL INFORMATION

1. If it becomes necessary to revise any part of this RFP, or otherwise provide additional information, an addendum will be issued by the City and furnished to all firms that have received copies of the original RFP.

2. All proposals become the property of the City and are subject to disclosure as required by Massachusetts General Laws.
3. The City is not liable for any cost incurred by the prospective firms in replying to this RFP.
4. Audit fees of prior years, the latest audit report, and management letter are available upon request.

II. INFORMATION REQUIRED FROM PROPOSER

In order to simplify the evaluation process and obtain the maximum degree of comparison, the City is requiring prospective firms to submit proposals in the format and manner prescribed in this section. Firms are cautioned that any deviation from this format may result in disqualification of their proposals.

A. TITLE PAGE

1. Project title.
2. Name of proposing firm.
3. Address and telephone number of proposing firm.
4. Name of contact person.
5. Date of submission.

B. LETTER OF TRANSMITTAL (Limit to one or two pages)

1. Briefly state the firm's understanding of the work to be done and make a positive commitment to perform the work within the required amount of time.
2. For Fiscal Years 2016 - 2018 summarize the fees for each year and state that the proposal is effective for one hundred twenty (120) days from the date of the opening of proposals.
3. The letter must be signed by the individual authorized to negotiate for and contractually bind the firm.

C. TABLE OF CONTENTS

Include clear identification of the submitted material by way of a Table of Contents that identifies contents by section and by page number. Such sections will be: "Professional Experience", "Proposer Approach to Audit", "Compensation", and "Additional Information". Content requirements are defined below.

D. PROFESSIONAL EXPERIENCE

1. Describe the local and/or regional office's audit experience with local governments (including the City of Northampton) in the last five years.
2. Identify the supervisors (e.g. partner, manager, auditor-in-charge) and the staff who are expected to work on the audit. Provide resumes (which may be included as appendices) showing relevant past experience, education, training, etc.
3. Describe the firm's participation, if any, in professionally sponsored quality control review of comparable programs.
4. List the names, contact information and service type provided to all Massachusetts municipalities during FY 2012, 2013 and 2014.
5. Provide two recent sample Management Letters the firm has written for its clients. Please omit the client's name and any other information which may be considered confidential in the submittal.
6. A "Certificate of Non-Collusion" and a "Certificate of Tax Compliance" is to be included with the proposal, as well as any other statutorily required documents.

E. PROPOSER'S APPROACH TO AUDIT

1. State the firm's understanding of the services to be performed and the work products to be provided as defined in Section I.C, "Nature of Services Required" and I.D, "Report Requirements" of this RFP.
2. Submit a work plan to accomplish the scope of services within the required time. The work plan should include time estimates by staff level for each of the significant segments of the work (planning, internal control, testing, and statements / reports) and the staff assigned to each segment. Include a brief discussion of the audit procedures to be used in the audit process for each segment.

F. COMPENSATION

Technical and price proposal content can be combined in one proposal as this service is M.G.L. 30B exempt. This fee shall include all costs for which the firm expects to bill the City, including clerical, indirect, or other costs.

The City requests the following format with regards to pricing:

**Proposal for Auditing Services - City of Northampton, MA
FY16, FY17, FY18 Audits**

*All quotes to be lump sum
All prices to be level funded for three years*

Audit Type	FY16	FY17	FY18	TOTAL
Basic Financial Statements - these should include:				
Basic Financial Statements, Management Letter and requirements to comply with Single Audit Act	\$	\$	\$	\$
Federal Audits:				
Smith Vocational and Agricultural High School - Title I	\$	\$	\$	\$
Smith Vocational and Agricultural High School - School Lunch	\$	\$	\$	\$
Smith Vocational and Agricultural High School - SPED Grants	\$	\$	\$	\$
Northampton Public Schools - Title I	\$	\$	\$	\$
Northampton Public Schools - School Lunch	\$	\$	\$	\$
Northampton Public Schools - SPED Grants	\$	\$	\$	\$
CDBG	\$	\$	\$	\$
School End of Year Reports:				
Northampton Public Schools	\$	\$	\$	\$
Smith Vocational and Agricultural High School	\$	\$	\$	\$
TOTAL:	\$	\$	\$	\$

The price proposal spreadsheet is available electronically; to receive a copy, send an e-mail to: ppowers@northamptonma.gov. Please, however, submit a completed paper copy with the firm's proposal.

G. ADDITIONAL INFORMATION

Provide any additional information, not specifically requested herein that firm considers necessary for effective evaluation of the proposal.

III. COMPARATIVE EVALUATION CRITERIA

The purpose of defining comparative evaluation criteria is to assist the evaluation committee in making decisions about the firm's overall qualifications, including technical abilities and previous experience. The City reserves the right to apply other qualifying criteria as defined elsewhere in this RFP, including completeness of the proposal package, and price.

The City of Northampton shall apply the following criteria in its evaluation of the

proposals presented for consideration.

1. Auditor Experience Level

Highly advantageous- Firms who have more than 5 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

Advantageous- Firms who have 2-5 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

Not advantageous- Firms with fewer than 2 CPA's who have at least 3 years of experience auditing Massachusetts municipalities.

2. Audit Management Team Experience Level

Highly advantageous- Firms whose Audit Manager/Partner assigned to audit has 20 or more years of experience auditing Massachusetts municipalities.

Advantageous- Firms whose Audit Manager/Partner assigned to audit has 10 years but fewer than 20 years of experience auditing Massachusetts municipalities.

Not advantageous- Firms whose Audit Manager/Partner assigned to audit has 5 years but fewer than 10 years of experience auditing Massachusetts municipalities.

3. Firm Municipal Audit Experience

Highly advantageous-Firms who have completed 15 or more Massachusetts municipal audits each year for fiscal years 2011 through 2014.

Advantageous-Firms who have completed 10 but fewer than 15 Massachusetts municipal audits each year for fiscal years 2011 through 2014.

Not Advantageous-Firms who have completed 5 but fewer than 10 Massachusetts municipal audits each year for fiscal years 2011 through 2014.

4. Size of Municipalities Audited

Highly advantageous- Firms who have experience auditing at least 5 Massachusetts municipalities with greater than \$50 million in General Fund revenues for fiscal years 2011 through 2014.

Advantageous-Firms who have experience auditing at least 1 but fewer than 5 Massachusetts municipalities with greater than \$50 million in General Fund revenues for fiscal years 2011 through 2014.

Not advantageous-Firms who have no experience auditing Massachusetts municipalities with greater than \$50 million in General Fund revenues for fiscal years 2011 through 2014.

Questions can be directed to: Pamela L. Powers @ (413) 587-1210 or
ppowers@northamptonma.gov