



**Request for Proposal
for
Audit Services**

RFP No. 2867-0-2007/JM

June 27, 2007

CITY OF OLATHE, KANSAS
RFP 2867-0-2007/JM
AUDIT SERVICES

I. Purpose Statement

The City of Olathe (City) is inviting proposals for the purpose of securing external audit services for a three-year period to begin with fiscal year 2007 (Fiscal year same as calendar year). The agreement can be extended for three additional one-year periods at the City's option.

II. General Information

The City is a rapidly-growing, full-service city located in the Kansas City metropolitan area. It is the county seat of Johnson County. Projections indicate that the City's rapid growth over the last two decades will continue. The current population is about 122,000. The City operates under a Mayor-Council-Manager form of government.

The City provides the traditional governmental services of police, fire, public works, engineering, planning, recreation and human services. In addition, the City provides water, sewer and residential trash collection to all residents, and operates a commercial sanitation service. The City has approximately 900 permanent employees, but may peak at 1,200 during seasonal employment periods. The 2007 budget is \$234,932,464.

Approximate amounts of City activity which may aid in the preparation of a proposal follows:

Purchase orders issued	1,600 annually
Accounts payable checks	10,000 annually
Payroll checks	6,500 annually
Direct Deposits issued (P/R)	21,000 annually
Cash receipts	60,000 annually
Total revenue	160,000,000 annually
Water customers	34,000
Sewer customers	27,000
Solid Waste customers	34,000
Capital Assets:	
Governmental Activities	\$634,890,510
Business-Type Activities	\$301,019,269

The City currently has twenty-four funds. These consist of the General Fund, Special Revenue Funds, Debt Service Fund, Enterprise Funds, Internal Service Funds, and Capital Projects Fund.

For 2007, the City is using J D Edwards EnterpriseOne financial software to provide full General Ledger capability including balance sheets and revenue and expenditure/expense statements by fund.

The City does not employ an audit firm rotation policy. The firm selected will perform audits for the 2007, 2008, and 2009 fiscal years.

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III. Schedule of Events

The following schedule of events is indicated for planning purposes, but may be varied at the City's convenience as required. Every effort will be made to adhere to the schedule.

<u>Event</u>	<u>Deadline</u>
Send out Request for Proposals	June 27, 2007
Receive proposals	July 20, 2007
Selection of finalists*	July 27, 2007
Interviews (if necessary)*	July 30 – August 3, 2007
Recommendation to Council*	August 7, 2007

*tentative

IV. Scope of Services

The following services will be required as a minimum and should constitute the basis for a response to this Request for Proposal.

1. An annual audit of the City's financial records is required by K.S.A. 75-1122 and 75-1123. The audit is to be performed in accordance with OMB circular A-133 for single audits and generally accepted accounting standards, as set forth in the AICPA Audit Guide for State and Local Governments as well as GFOA's Governmental Accounting, Auditing and Financial Reporting Publication of June, 2005. This audit also includes the review of the comprehensive annual financial report (CAFR) prepared by the City to ensure it maintains the current level of quality and qualifies for GFOA's Certificate of Achievement.
2. Preparation of a single audit report and submission of all documents and filings.
3. Preparation of required communication and management letter to include a statement of audit findings and recommendations that will be presented to City management and governing body. These will include, but not limited to financial statements, internal control, inefficiencies, duplications, accounting systems, and legality of actions. An additional management letter will be prepared for Strategic Financial Management Department (SFM) staff to include suggestions for improving controls and financial processes. Firm is required to provide draft management letter comments as they occur.
4. Completion of the CAFR review and delivery of the independent auditor's report and management letters to SFM by May 1, after completion of the audit.
5. Presentation of findings and reports to the City Council on or before June 30th of each year.
6. Maintenance of the audit working papers which will be made available for examination and use by authorized representatives of the City.

7. Audit of City related entities, i.e., Fireman's Relief Fund, Park & Recreation Foundation, Mahaffie Foundation, and preparation of related tax forms 990E.

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8. Audit will be performed under separate contracts for Olathe Chamber of Commerce and City component units Olathe Public Library and Olathe Housing Authority.
9. A minimum of 8 hours of continuing professional education (CPE) will be provided for City staff, preferably at the City offices. Topics will be at the direction of the director of SFM.

V. General Conditions

1. Audit Firm
 - a. Audit must be performed by a CPA firm that meets the independent standards of the GAO Standards of Governmental Organizations, Programs, Activity and Functions. The firm and its partner in charge of the audit must have experience in auditing similar sized and governmental functions; field supervisors that have relevant experience and education; ability to work under a time frame as set forth by the City; and ability to perform consulting services as may be required throughout the year by the City.
2. RFP Responses
 - a. Proposals submitted in response to this RFP will remain the property of the City and any cost incurred by the bidder in preparing the proposal will be borne solely by the bidder. The City will not be responsible for any costs incurred by the bidder.
3. Submission and Receipt of Bids
 - a. Proposals having any erasures or corrections must be initialed by the bidder in ink. Bids shall be signed in ink. All bid amounts shall be typewritten or completed in ink.
4. Acceptance of Offer
 - a. The signed proposal shall be considered an offer on the part of the bidder; such offer shall be deemed accepted upon issuance by the City of a notice of acceptance or other contractual document.
5. Firm Prices
 - a. The bidder warrants that prices, terms and conditions quoted in the proposal will be firm for acceptance for a period of not less than sixty (60) days from the proposal opening date unless otherwise specified in the RFP. Such prices will remain firm for the period of performance of any ensuing contract to be performed over a period of time.
6. Conflict of Interest
 - a. The bidder certifies that to the best of his or her knowledge or belief, that no elected or appointed official of the City of Olathe, Kansas, is financially interested, directly or indirectly, in the performance of the services specified in this RFP.

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7. Affirmative Action

- a. Bidders must comply with K.S.A. 44-1030 *et seq.*, the Kansas Act Against Discrimination, which: (1) precludes discrimination against any person in the performance of work under a contract because of race, religion, color, sex, disability, national origin or ancestry; (2) requires that solicitations or advertisements for employees include the phrase, "equal opportunity employer;" and, (3) allows the City to terminate a contract for default if provisions of the act are violated.
- b. Bidders must also comply with Chapter 2.44 of the Olathe Municipal Code which prohibits discrimination against individuals in the performance of a contract, since such discrimination threatens not only the rights and privileges of the inhabitants of the City, but menaces the institutions and foundations of a free democratic state. The affirmative action program is designed to insure a good faith effort will be made to employ applicants and to treat employees during employment equally without regard to race, color, creed or religion, physical handicap, national origin or sex.
- c. All bidders who are awarded a Class I contract (\$10,000 or more in aggregate) are required to complete an Affirmative Action Questionnaire on Personnel Practice.

8. Default of Contract.

- a. In case of default by the contracted audit firm, the City may procure the services from other sources and hold the contracted audit firm responsible for any excess costs occasioned or incurred thereby.

9. Modification or Changes

- a. No agreement or understanding to modify this RFP and resultant contracts shall be binding upon the City unless made in writing by the City of Olathe.

10. Termination

Subject to the provisions below, any contract derived from this Request For Proposal may be terminated by either party upon thirty (30) days advance written notice to the other party; but if any work or service hereunder is in progress, but not completed as of the date of termination, then said contract may be extended upon written approval of the City until said work or services are completed and accepted.

(a) Termination for Convenience

In the event that the contract is terminated or cancelled upon request and for the convenience of the City, without the required thirty (30) days advance written notice, then the City shall negotiate reasonable termination costs, if applicable.

(b) Termination for Cause

Termination by the City for cause, default or negligence on the part of the contractor shall be excluded from the foregoing provision; termination costs, if any, shall not apply.

The thirty (30) days advance notice requirement is waived in the event of Termination for Cause.

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VI. Format for Submission of Proposal

1. In order to simplify the review process and obtain the maximum degree of comparison, proposals must be organized in a standard format. The following outline for organizing the proposal shall be used to provide necessary information.
 - a. Title Page
 - (1) Indicate the name of the firm, address of office performing work, telephone number, name of the contact person and the date.
 - b. Table of Contents
 - (1) Include a clear identification of the material by section and by page number.
 - c. Letter of Transmittal (Limit to one or two pages)
 - (1) Briefly state the firm's understanding of the services to be performed and make a positive commitment to perform the services within the time period stated earlier.
 - (2) State the names of the persons who will be authorized to make representations for the firm; their titles, addresses and telephone numbers.
 - (3) State that the person signing the letter is authorized to bind the firm.
 - d. Profile of the Firm
 - (1) State whether the firm is local, regional or national.
 - (2) State the location of the office from which the service is to be performed and the number of professional staff employed at the office.
 - (3) Describe the range of activities performed by the office, such as auditing, accounting, tax services, management services, etc.
 - (4) Describe the office's capability of auditing governmental units, including the number of personnel skilled in governmental auditing.
 - e. Mandatory Criteria
 - (1) State that the firm is a properly licensed CPA firm.
 - (2) State that the firm meets the independent standards of the GAO Standards for Audit of Governmental Organizations, Programs, Activities and Functions.

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f. Summary of the Firm's Qualifications

- (1) Identify the supervisors who will work on the audit. Resumes indicating relevant experiences and education for each supervisory person to be assigned to the audit should be included. (The resumes may be included as an appendix.)
- (2) Description of the office's most recent auditing experience similar to the type of audit requested, and submit names of clients who applied for and received the GFOA Certificate of Achievement Award.
- (3) Give the names and telephone numbers of client references for three recent local audits completed.
- (4) Provide a copy of the firms latest peer review report.

g. Firm's Approach to the Audit

- (1) Submit a work plan to accomplish the scope of services defined in these guidelines. The work plan should include time estimates for each significant segment of the work and the staff level to be assigned.

Individual staff members should be named. The planned use of specialists should be specified.

(2) Financial Audit

- (a) State whether the audit will be made in accordance with generally-accepted auditing standards.
- (b) State that 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.
- (c) State that if conditions are discovered which lead to belief that material errors, defalcations or other irregularities may exist, or if any other circumstances are encountered that require extended services, the auditor will promptly advise the Director of SFM.
- (d) State that no extended services will be performed unless they are authorized in the contractual agreement or in an amendment to the agreement.

(3) Compliance Audit

- (a) State that in accordance with the auditing standards of the cognizant agency or in accordance with other applicable standards, the proposal will indicate the necessary procedures to test compliance and to disclose noncompliance with specific laws and regulations.

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- h. Firm's Staff Rotation Policy
 - (1) Submit the firm's staff rotation policy as it relates to the in-charge auditor, manager and partner-in-charge.
- i. Quality Control
 - (1) Submit the firm's review procedures for governmental audits.
 - (2) List names, classifications and qualifications of those performing the review.
- j. Work Space Requirements
 - (1) Each firm is expected to describe the minimum amount of space and furniture required by the engagement team. The firm is expected to provide its own supplies and any required office machines. Reasonable copying requests will be honored.
- k. City Staff Support
 - (1) Any work or tasks to be provided by the City (i.e., preparation of work papers, confirmation letters, pulling files, etc.) must be stated.
 - (2) State whether data processing will be used in the examination and, if so, estimate the data processing resources the City will need to supply in terms of computer time, operator time and programmer time. An estimate of city staff involvement must be provided.
 - (3) Any tasks not mentioned will be deemed to be performed by the audit firm.
- l. Engagement Schedule
 - (1) So that the engagement can be conducted in an orderly fashion, an engagement work plan is required. Understanding the difficulty in preparing such a schedule without a background review, each firm must either prepare a preliminary schedule which would be included with the proposal, with supporting discussion of how the schedule will be updated, or a statement defining the firm's methodology in preparing such a schedule.
- m. Compensation
 - (1) State the total estimated hours and hourly rate required by each staff classification and the resulting maximum fee. The maximum fee is to include the single audit of nonmajor federal financial assistance programs.
 - (2) Some years could require the audit of major federal financial assistance programs. State the maximum increase in cost for performing the additional audit procedures required. State whether the increase in cost would apply to each major program if there are more than one or if it would be a one time increase to cover all major programs.

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- (3) Since the firm selected will be given the opportunity to perform the audits through the 2009 fiscal year, the maximum increase, if any, for fiscal years 2008 and 2009 must be submitted. This increase should be stated in relation to the fixed cost proposal for the 2007 fiscal year.
- (4) It may become necessary from time-to-time for the City of Olathe to request the auditor to render additional services to either supplement the services requested in this RFP, perform additional work as a result of specific recommendations included in any report issued on this engagement or other such work agreed to between the City and the audit firm. State if the rates quoted in computing the audit fee will apply. If these fees will not apply, list the fees by classification that will apply for any additional work.

n. Limited Contact

- (1) Charles Mitts, City Treasurer/Accounting Manager or Alan Shorthouse, Assistant Strategic Financial Management Director, will be the source of contact for your firm during the selection process. Communications with other city personnel will be scheduled through the above named individuals.

o. Additional Section

- (1) Since the preceding sections are to contain only data that is specifically required, any additional or supplemental information considered essential to the proposal should be included in this section. If there is no additional data or information to present, then state, "There is no additional data or information we wish to present."

VII. Submission Information

- 1. The Purchasing Division must receive six (6) copies of the proposals by

2:00 PM, FRIDAY, JULY 20, 2007.

Any proposal that is not received by the Purchasing office before the deadline date and time will not be considered. The City reserves the right to accept or reject any and all proposals, to waive technicalities or irregularities involving any proposal. All proposals become the property of the City of Olathe upon submission and will not be returned to the consultant.

Purchasing Division
Attn: Audit Services
Olathe City Hall
100 E. Santa Fe
P.O. Box 768
Olathe, KS 66061

All proposal packages shall be sealed and clearly marked with the RFP No. 2867-0-2007/JM – Auditing Services, and the name and address of the firm submitting the proposal.

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3. All proposals must be signed by a duly authorized individual.
4. Oral presentation may be required prior to selection; notification will be given if such meetings are required.
5. Information supplied in the proposal will be deemed to be correct and the City is entitled to rely on the proposal as to schedules and staff time involvement.
6. All proposals must be submitted in a sealed envelope or box on or before the time specified herein. No proposals shall be opened until after the time specified for proposal submission. No proposal will be opened if submitted after the time specified herein for submittal of proposals. No public proposal opening will be held. All proposals will remain closed records until a selection is made or until all proposals are rejected.

In the event the City of Olathe receives a container that is not identifiable as a proposal, an authorized person within the City of Olathe may open the container to determine the contents. If the contents are determined to be a proposal, the container will be resealed and the solicitation number, opening date, and time will be noted on the outside of the container. The container will remain sealed and on file with the department until the official time for opening.

VIII. Evaluation of Proposals

The following factors will be considered during the evaluation:

1. Mandatory Criteria
 - a. Firms will not be considered unless they meet each of the following criteria:
 - (1) Must be a certified public accountant properly licensed.
 - (2) Must meet the independent standards of the GAO Standards for Audit of Governmental Organizations, Programs, Activities and Functions.
2. Technical Criteria
 - a. Those firms who have met each of the mandatory criteria will be evaluated on the following criteria:
 - (1) Responsiveness of the proposal in clearly stating an understanding of the work to be performed, to include but not limited to:
 - (a) Audit coverage.
 - (b) Realistic time estimates of each major segment of the work plan and the estimated number of hours for each staff level, including consultants assigned.

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- (2) Technical experience of the firm, to include but not limited to:
 - (a) Recent auditing of local governments.
 - (b) Similar auditing, of the type under consideration, during the last three years.
 - (c) References.
- (3) Classification of staff (including consultants) to be assigned to the audit. Education, including continuing education courses taken during the past three years, position in the firm, and years and types of experience will be considered.
- (4) Determination of the following from information submitted:
 - (a) Qualifications of the audit team.
 - (b) Supervision to be exercised over the audit team by the firm's management.
- (5) Size and structure of the firm, to include but not limited to:
 - (a) Capability to meet the services required.
 - (b) Additional skills and services.

3. Cost

IX. Selection Process

A selection committee will review the proposals and recommend a firm to the City Council based on the procedure and determinations established in this RFP.

X. Inquiries

All inquiries concerning this RFP should be directed to Charles Mitts, City Treasurer/Accounting Manager at (913) 971-6212 or cmitts@olatheks.org. Inquiries that are informational in nature can be made at any time and responses to those inquiries will not be distributed to potential contractors. Any inquiries that affect all respondents will result in notification of all bidders of such information via an addendum to this RFP.