

# Request for Proposals:

## Auditing Services

March 10, 2017



## Introduction

The Charter Township of Royal Oak is requesting proposals for the services of a qualified Certified Public Accounting firm to conduct the Financial and Compliance Audit of the Township’s operations. Services will include, but are not limited to:

- Planning and performing the audit
- Performing tests of documentary evidence
- Evaluation of Internal Controls
- Management Letter(s) per Financial Report
- Letter of comments and recommendations
- Presentation of findings before the Township Board
- Technical Assistance throughout fiscal year; costs included in yearly fee
- Preparation of Financial Reports

## Section 1: Background

<b>Population (2010 census)</b>	2,454
<b>Area</b>	.55 square miles
<b>No. of Households</b>	731

The Charter Township of Royal Oak is located in Oakland County, Michigan, and borders the cities of Ferndale, Oak Park and Detroit.

The Charter Township of Royal Oak is a historic community. The Township provides a large range of municipal services, including administration and finance, parks and recreation operations, public works and maintenance, waste removal & recycling, planning and community development. Public safety services are currently provided by the Michigan State Police and Ferndale Fire Department.

The Township has a board of seven, three of which are administrators (Supervisor, Clerk, and Treasurer) who are responsible for day to day functions. The Charter Township of Royal Oak has twelve funds: the General Fund (which includes Cable & Senior Center), Fire, Police, Parks & Recreation, Library, Street Lighting, Disposal, Trust & Agency, Payroll Imprest, Community Development Block Grant, Capital Improvement, and Current Tax Collection.

The 2017 Township budget is \$2.9 million. Their cash position includes a general fund balance of 16%; 8% for all funds.

## **Section 2: Audit**

### **Auditing Standards**

The financial statements are prepared to conform fully to Generally Accepted Accounting Principles (GAAP) and to be in full compliance with the Pronouncements of the Governmental Accounting Standards Board (GASB) and all federal and state statutes. The auditor's opinion will be directed toward the fairness of presentation of the financial statements in accordance with GAAP. The auditor will also provide all compliance reports as required under Federal and State law.

### **Audit Period and Term of Engagement**

The proposal is for three years, with separate audits each year. The periods to be audited are the fiscal years ending December 31, 2016, 2017, and 2018. It is the intent of the Township Board to negotiate a three-year contract with the second and third year contingent upon successful completion of the first year of the contract as determined by Township Officials and Township Board.

The Township is also looking for a fee estimate for auditing services of the Downtown Development Authority. The DDA has revenues of approximately \$350,000, paid for through a special assessment. It has a Board consisting of eight members. The mission of the DDA is to strengthen the business community of the Township by attracting new investment. The DDA Scope of Work includes an Audit for the years 2016 and 2018 and a review for the year 2017.

### **Scope of Work**

The annual audit shall begin no later than May or June after the close of the fiscal year. The Auditor will, as a part of this engagement, conduct the following activities utilizing the appropriate standards noted in Section II:

1. Plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud.
2. Perform tests of documentary evidence supporting the transactions recorded in the accounts, which may include tests of the physical existence of inventories and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions;
3. Perform tests of the Township's compliance with applicable laws and regulations and the provisions of contracts and agreements;
4. Review the internal accounting controls of the Township to the extent necessary to evaluate the system as required by applicable standards;
5. Issue a Management Report making recommendations for improvement;

6. Inform management of any matters involving internal control and its operation that the Auditor considers to be reportable conditions under standards established by the American Institute of Certified Public Accountants;
7. Meetings and Progress Reports: 1.) Pre-audit conference(s) with Township Management and accounting staff will be held to discuss audit schedules, working paper requirements, and report deadlines, as well as the audit program. 2.) Progress report meetings will be held with key audit firm personnel and Township financial management staff at regular intervals mutually agreed upon. 3.) Post audit conference(s) with Township management and key audit personnel will be held at a mutually agreeable date. 4.) Audit firm management will present the financial report and management letter to Township Board each fall when the audit is completed. As well as provide an oral and written presentation at the agreed upon Board meeting.
8. Technical Assistance: As part of the overall audit contract, the Township expects to receive from the audit firm a variety of technical assistance throughout the fiscal year, including answers to accounting, reporting, and/or internal control questions.
9. Audit of the Downtown Development Authority, including an audit for the years 2016 and 2018 and a review for the year 2017.

### **Additional Services**

The audit firm should be prepared to provide guidance and answer questions from the Township management throughout the year.

Proposals should contain provisions for dealing with circumstances discovered during the audit that may require an expansion of audit work beyond that which was originally planned. In addition, the audit firm may be requested to perform special projects for the Township during the year. Proposals should describe the types of services available from the firm, the professionals who would provide them, and the standard hourly fees to be charged for such services.

### **Section 3: Mandatory Requirements**

The audit firm must meet the following mandatory requirements: Contractor must be registered to do business in the State of Michigan; Principal Auditor must be a Certified Public Accountant qualified to perform municipal audits in the State of Michigan; Contractor must have experience in performing municipal audits in accordance with auditing standards generally accepted in the United States of America, preparing financial statements compliant with the most recent GASB and Michigan Budget Laws.

## **Section 4: Proposal Information**

### **Proposal Requirements**

The proposal should demonstrate that the firm can furnish the services in a manner that will be cost-effective for the Charter Township of Royal Oak. Those proposals which do not contain all information required by this RFP or are otherwise non-responsive, may be rejected immediately; however the Township has discretion to accept a proposal that does not conform with all RFP requirements if the Township determines that the non-compliance is not substantial or material. If a proposal is unclear, or appears inadequate, the Township may, at its discretion, give the firm an opportunity to explain how the proposal complies with the RFP.

### **Please present your proposal in the following format:**

#### **1. Background and qualifications**

- a. Name(s) and title(s) of the person(s) authorized to submit the proposal and execute the personal services agreement.
- b. A history of the firm as a business or entity, including information that demonstrates the firm's financial stability and entity stability.
- c. Resumes of all audit team members, including tenure with the firm, title, degrees and certificates, and municipal audit experience. The audit team leader should be identified.

#### **2. Audit**

- a. Auditing standards
- b. Audit period and term of engagement  
A proposed work schedule and work plan for completing the audit.
- c. Scope of work
- d. Additional services
- e. Any additional information that supports the scope of work to be provided

#### **3. Mandatory Requirements**

A letter, submitted on the firm's letterhead and signed by the corporate agent, owner, or principal, describing how the firm satisfies the mandatory requirements noted above and the firm's experience in performing municipal auditing in the State of Michigan.

#### **4. References**

A list of at least five (5) clients who can be contacted, complete with a description of the work performed for the client and the client's address, phone number and email. At least three (3) of the clients must be public entities. References should be presented using the following format:

**Client:**  
**Client Contact Name:**  
**Address:**  
**Telephone:**  
**Email:**  
**Dollar Amount:**  
**Dates of Service:**  
**Scope of Work:**  
**Type of Service:**  
**Number of Staff:**

**5. Fees**

- a. A fee schedule and estimated project cost, including out-of-pocket expenses and the estimated hours each audit firm employee is expected to spend annually on the audit.

***Fees should be presented in the following format:***

<b>Maximum Estimated Hours</b>					
Year Ended	Partners	Managers	Supervisors	Staff	Total Hours
2016					
2017					
2018					

<b>Total All-Inclusive Maximum Fee</b>			
Year Ended:	2016	2017	2018
Financial Statement Audit			
Downtown Development Authority Audit*			

\*The DDA Scope of Work includes an Audit for the 2016 and 2018 years and a review for the 2017 year.

- b. Your firm’s billing rates for any applicable classifications of professional personnel and the method used in charging for any special requests, reports, or broadening of the scope of work.
- 6. **Sample Engagement Letter:** A copy of the firm’s model/standard letter of engagement.
- 7. **Sample Management Report:** A sample of a management report recently issued covering an audit that has similar services and comparative size to the Charter Township of Royal Oak.
- 8. **Due Date:** Proposals are due by noon on **Friday, April 14, 2017.**

## **Proposal Questions and Clarifications**

Questions and requests for clarification may be submitted through **March 31, 2017**. Proposers should submit requests to Jessica Thomas, Consent Agreement Consultant, at [jthomas@jessicathomasllc.com](mailto:jthomas@jessicathomasllc.com) or by phone at 248-547-9800 extension 217. Proposers shall refrain from initiating contact with Township representatives other than Mrs. Thomas for the purposes of obtaining information for use in preparation of proposals. Firms may modify or withdraw their proposals at any time prior to the closing date by providing a written request for modification or withdrawal to the Charter Township of Royal Oak.

## **Evaluation of Proposals**

Proposals will be evaluated based on the scope of work and submission requirements listed above to determine which firm best meets the needs of the Township. After meeting these requirements, the following factors will be used to evaluate proposals:

- A.** Quality and comprehensiveness of the audit approach
- B.** Experience and knowledge with GASB reporting requirements and auditing standards identified in Section II.
- C.** Qualifications and experience of the firm and the members assigned to the Township's engagement.
- D.** Ability to provide a comprehensive range of auditing and financial services. **E.** References and past experience
- F.** Audit service costs

## **Proposal Submission**

Submit to "Charter Township of Royal Oak, Audit RFP" via US Mail or hand delivery in a sealed envelope. You may also email your proposal to [JThomas@JessicaThomasLLC.com](mailto:JThomas@JessicaThomasLLC.com). Proposals will be accepted until noon on **Friday, April 14, 2017**. Proposals received after the deadline will not be considered. It is the responsibility of the responding firm to insure that the proposal arrives on time at the right location. Township offices are located in the former Grant School Building. All proposals must be presented in a clearly marked package or envelope bearing the address:

**Charter Township of Royal Oak**  
**Audit RFP**  
**21131 Garden Lane, 2<sup>nd</sup> Floor**  
**Ferndale, MI 48220**

Responding firms must include five (5) copies of the completed proposal and other pertinent information. All services requested should be addressed. If a firm cannot provide a service, it should be clearly noted within the proposal.

The Charter Township of Royal Oak reserves the right to reject any or all proposals or to negotiate with responding firms for any improvements or clarifications regarding specific portions of the proposal.