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City of Portsmouth, New Hampshire OFFICE OF THE DIRECTOR OF FINANCE & ADMINISTRATION

REQUEST FOR PROPOSAL **Professional Municipal Auditing Services**

Sealed proposals, plainly marked RFP #44-21 "Professional Municipal Auditing Services on the outside of the mailing envelope, addressed to the Finance/Purchasing Department, City Hall, 1 Junkins Avenue, Portsmouth, New Hampshire 03801, will be accepted until **May 6, 2021 @ 2:00 pm**.

The City of Portsmouth seeks a qualified independent, certified public accounting firm with sufficient expertise in governmental accounting and auditing to audit the City's Annual Finance Report for the fiscal year ending June 30, 2021. Auditor must be licensed to practice in the State of New Hampshire.

Proposal packages may be obtained from the City's website: <https://www.cityofportsmouth.com/finance/purchasing-bids-and-proposals>. Addenda to this proposal document, if any, including written answers to questions, will be posted to the website under the project heading. Addenda and updates will **NOT** be sent directly to vendors. Questions may be addressed to the Purchasing Coordinator, Purchasing@CityofPortsmouth.com.

The City of Portsmouth reserves the right to reject any or all proposals, to waive technical or legal deficiencies, and to accept and negotiate any terms of a proposal that may be in the best interest of the City.

INTRODUCTION

The City of Portsmouth, New Hampshire (City) is seeking a qualified independent certified public accounting firm (hereinafter call the “Auditor” or the “firm”) with expertise in governmental accounting and auditing, to audit the City’s Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2021 in accordance with the specifications outlined in this Request for Proposal (RFP). The Auditor must be licensed to practice in the State of New Hampshire and have sufficient governmental experience to meet the specifications outlined in this RFP.

The selected Auditor will be invited to enter into a one-year contract subject to: annual review and recommendation of an Audit Committee being established; the satisfactory agreement on terms by both parties; and the concurrence by the vote of the governing body.

The audit is to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office’s (GAO’s) *Government Auditing Standards* (1994), the provisions of the Federal Single Audit Act of 1984 (as amended in 1996), and U.S. Office of management and Budget (OMB) Circular A-133, *Audits of States, local governments, and Non-Profit Organizations*.

Questions should be directed in writing to the Purchasing Coordinator at purchasing@cityofportsmouth.com no later than (7) seven days prior to the submission deadline.

Proposals submitted will be available for the public to review as may be required by NH RSA 91-A after the competitive selection process is complete (concluded with a contract) or rejection of all proposals. Firms should not submit confidential information unless requested or approved to do so by the Purchasing Coordinator prior to submission of the response.

I. INFORMATION FURNISHED TO PROPOSER

A. Published Documents: Visit the City’s website at www.cityofportsmouth.com

1. Comprehensive Annual Financial Report (CAFR). 27 GFOA Awards.
<http://files.cityofportsmouth.com/finance/fy20/CAFR20.pdf>
2. Annual Budget: GFOA Distinguished Budget Presentation Award; FY20 marks the 15th consecutive year.
<http://files.cityofportsmouth.com/finance/fy21/FY21ProposedBudget.pdf>
3. Popular Annual Financial Report: GFOA Award; June 30, 2019 third consecutive year. <http://files.cityofportsmouth.com/finance/fy20/PAFR20.pdf>
4. Six year Capital Improvement Plan:
http://files.cityofportsmouth.com/files/planning/cip/DRAFT_CityCouncilCIP_FY22FY27.pdf

B. Background and General Information

1. The City of Portsmouth is a local government of the State of New Hampshire. The City serves an area of approximately 15.7 square miles and a population of approximately 22,206 based upon the 2019 NH Office of Energy and Planning.
2. The City is governed by a City Council and managed by a City Manager. The Portsmouth School District is a dependent district and by city charter is a department of the city municipal corporation.
3. The City's fiscal year is July 1 to June 30.
4. The City has the following funds:
 - a. Major Governmental Funds
 - General Fund
 - b. Non-Major Governmental Funds
 - 29 Special Revenue Funds
 - 2 Permanent Funds
 - 6 Capital Improvement Program Project Funds
 - c. 2 Major Enterprise Funds
 - Water Fund
 - Sewer Fund
 - d. Private Purpose Trust Funds
 - Prescott Park
 - School (Scholarship)
 - Worthy Poor
 - Memorial
 - Commemoration
 - e. Agency Funds
 - Statewide Education Property Tax (SWEPT) Coalition 2.0
5. School Student Activity Funds. The City has a total General, Special Revenue, and Enterprise Fund budgets for the Fiscal Year ended June 30, 2020 of approximately \$150 Million.
6. Size and complexity of the City is as follows:
 - a. Personnel/Payroll
 - The City has 16 Collective Bargaining Agreements and 7 individual contracts for a total of approximately 856 Full-Time and 114 Permanent Part-Time and several seasonal Part-Time personnel
 - Frequency of payroll is biweekly
 - b. Major Revenue Sources
 - Number of tax bills issued: 8,738 FY 2020

- Frequency of tax bills issued: Semi-annual (December/June)
 - Gross Valuation before exemption FY20 (TY 2019) \$6.17 Million
 - Total dollar of property tax levy: Levy of 2020 (TY 2019) approximately \$90.6 Million
 - School Tuition: Tuition received from SAE 50 communities: Greenland, New Castle, Newington and Rye. Revenues are approximately \$6.7 Million
 - Number of motor vehicle registrations: Approximately 25,556. Revenues are approximately \$5 Million
 - Pease Development Authority (PDA): The City has a Municipal Service Agreement (MSA) with the State of NH. Revenues are approximately \$2.8 Million
- c. The City has two Enterprise Funds: Water and Sewer
- Approximately 8,800 billings issued on a monthly basis
- d. The City has two Parking Garage Facilities, and metered on-street and in parking lots.
7. The most recent audit of the City was performed by Melanson for the fiscal year ended June 30, 2020.

C. Description of Records

1. The City maintains its general records in accordance with generally accepted accounting principles.
2. The following software is used for various accounting, record keeping, and billing:
 - a. General ledger: Central Square - FinancePlus
 - b. Payroll: FinancePlus, Portpay, Kronos
 - c. Procurement: FinancePlus
 - d. Cash Receipting: Invoice Cloud, Payment Center
 - e. Permitting: View Point
 - f. Assessing: Vision Government Solutions
 - g. Motor Vehicle registrations: Avitar Associates of New England
 - h. Property Tax billing: Stone Hill Municipal Solutions
 - i. Utility Billing: Northern Data Solutions
 - j. Parking: Complus, Cale, AMG/First Data, PARIS, and others
3. The following financial application(s) are on a separate computer system:
 - a. Trustees of Trust Funds: Abila MIP

D. Objective and Scope of Work to be Performed

1. The audit will encompass both a financial and compliance examination of the City of Portsmouth basic financial statements and all supporting and supplementary information, compliance reports and Comprehensive Annual Financial Report (CAFR). The financial and compliance audit will cover federal, state and local

funding sources in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the following:

- *Government Auditing Standards* issued by the U.S. Government Accountability Office;
 - Single Audit Act of 1984 and Single Audit Act Amendments of 1996, if applicable;
 - Provisions of the U.S. Office of Management and Budget OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, if applicable;
 - *Government Auditing Standards and Circular A-133 Audits* issued by the American Institute of Certified Public Accountants; and
 - All other applicable laws and regulations.
2. The Auditor will be responsible for assisting with the preparation of the basic financial statements, supplementary information, compliance reports and the City's GFOA Award winning CAFR. The Director of Finance & Administration will be actively involved in preparing the Management Discussion and Analysis (MD&A), other schedules section and supplementary information. The Auditor will submit a draft of the financial statements to be reviewed in detail by the Audit Committee being established with a copy to the City Manager. This draft shall be submitted in time to allow ample review and corrections. CAFR submission deadline to National GFOA is December 31, for each respective year.
 3. The audit shall result in the preparation of financial statements from the audited records of the City with the Auditor's opinion thereon. The Auditor's opinion shall be expressed in the report and include reasons for qualifying the opinion, disclaiming the opinion, or rendering an adverse opinion.
 4. The Auditor shall perform the audit and prepare all reports pertaining to the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. The Auditor is not required to audit the schedule of federal financial assistance. However, the Auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.
 5. The auditor shall be prepared to advise City of Portsmouth staff on how to best implement both current and proposed GASB Statements. In addition, the auditor is also expected to provide informal advice and consultation throughout the year on matters relating to accounting and financial reporting. This would not necessarily include any task that entails significant research or a formal report or impairs the independence of the Auditor.
 6. Should circumstances arise during the audit that require significant additional work to be performed in excess of the amounts set forth in the contract, the auditor shall notify the Audit Committee being established and the Audit Committee shall make

such recommendations as necessary to the City Manager to negotiate an adjustment to scope and/or fee prior to commencement of the work. The amended contract will be submitted to the Audit Committee for recommendation and action by the governing body.

7. In planning and performing the audit, the Auditor shall consider the City of Portsmouth system of internal control as a basis for designing auditing procedures and for the purpose of expressing an opinion on the financial statements. The Auditor shall communicate in a written report titled *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* any material weaknesses in internal controls found during the audit to the Audit Committee being established and the City Manager. A material weakness shall be defined as a significant deficiency in internal controls, or combination of significant deficiencies that results in more than a remote likelihood that a misstatement of the City's financial statements will not be prevented or detected by the City. Said report shall include written responses from the Director of Finance and Administration and associated staff to the Auditor's comments and recommendations.
8. Non-material conditions and/or other matters that come to the attention of the Auditor related to opportunities for strengthening internal controls and operating efficiencies shall be reported in a management letter. The management letter shall include written responses by the Director of Finance & Administration to the Auditor's comments and recommendations.
9. The Auditor shall be required to make an immediate written report of all illegal acts, or indications of illegal acts, to the Audit Committee being established and to the City Attorney.
10. As guided by AICPA Auditing Standards Board Statement on Auditing Standard No. 117, the Auditor should exercise due professional care in understanding the type of engagement and also requiring that if during the audit the Auditor becomes aware that the City is subject to audit requirements which may not be encompassed in the scope of the engagement the Auditor should communicate to the Audit Committee being established, and the City Manager that the audit may not satisfy the requirements.
11. In addition to completing the annual audit, the auditing firm shall be available during normal business hours, throughout the contract period, to provide the City with advice and guidance on financial accounting and reporting issues. The auditing firm will also be expected to keep the City staff informed of the requirements of all new accounting and financial reporting pronouncements of the Governmental Accounting Standards board and the United States Office of management and budget.
12. It is expected that the successful proposer will designate a senior staff member, at the manager or partner level, who will be responsible for responding to City phone calls and e-mail communications within one business day.

E. Report Requirements

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

1. A report on the fair presentation of the financial statements and related supplementary information in conformity with generally accepted accounting principles.
2. A report on internal control and compliance with laws, regulations, and provisions of contracts and grant agreements based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
3. A report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 and the Single Audit Act, if applicable.
4. A schedule of findings and questioned costs in accordance with the Single Audit Act, if applicable.
5. Management letter to the Audit Committee, if appropriate.

F. Assistance to be Provided to the Auditor

1. The City of Portsmouth will designate the Director of Finance & Administration as the audit engagement coordinator to work directly with the Auditor. The engagement coordinator will have responsibilities for the following:
 - a. Primary contact for questions, securing information, and other pending issues between the Auditor and the City on items related to the financial statements;
 - b. Coordinating meetings with the auditing team;
 - c. Helping to resolve issues with the Auditor not related directly to financial statements; and
 - d. Oversight of "Representation Letter" by management to Auditor.
2. The City of Portsmouth will render all reasonable assistance to the Auditor including: responding to requests for information; providing all necessary books and records; providing account analysis worksheets and computer reports on all activity on requested accounts; and supplying physical facilities required by the auditors for the expeditious conduct of the annual engagement.
3. A trial balance with budgeted amounts will be made available to the Auditor via the Auditor's secured portal. The City of Portsmouth represents that the books of account will be fully balanced, all subsidiary ledgers reconciled to control accounts, and all bank account reconciliations for each month will be completed.

4. The staff of the City of Portsmouth will prepare the following information:
 - a. A working trial balance of each fund.
 - b. Provide all Revenues, Expenditures, other financing sources and uses, and transfers for all fund.
 - c. A copy of the original budget, amendments, and final revised budget of the City's general fund and enterprise funds for the audit period.
 - d. A copy of any operating and/or capital lease schedules itemizing contracts in force during the audit period as well as access to the lease files.
 - e. A copy of the City financial policies, including purchasing, travel and investment policies.
 - f. A schedule of insurances in force during the year and the insurance expense for the year.
 - g. Management's discussion and analysis (MD&A).
 - h. Required supplementary information.
 - i. Schedule of all bank accounts and contact information for confirmations.
 - j. All bank reconciliations for each month.
 - k. List of outstanding checks by account, showing check number, date and amount.
 - l. Schedule of all investments for all funds at the audit date, showing book value and estimated market value.
 - m. Listing of outstanding receivables by account for each receivable type and fund as of the fiscal year end.
 - n. Schedule of capital assets including beginning balance, additions, dispositions, depreciation, and ending balance.
 - o. Capital asset listing by asset and classification.
 - p. All capital asset acquisitions made during the year.
 - q. All capital asset dispositions made during the audit year.
 - r. Depreciation expense by function/department posted for the audit year.
 - s. Schedule of accounts payable including batch printouts.
 - t. Schedule of contract retainage held by the City.
 - u. Computation of vested compensated absences (sick and vacation) as of the audit date.
 - v. Debt schedules for each debt issue and related payments.
 - w. Applicable State Revolving Fund Load Agreements.
 - x. All financial reporting for Federal and State Grants.
 - y. CFDA# and/or pass-through grant number.
 - z. Actuarial Report for Other Post-Employment Benefits (OPEB) for city plan.
 - aa. Actuarial Report and financial information for NH Retirement System OPEB.
 - bb. Actuarial Report and financial information for NH Retirement System pension obligation liability.

G. Timing Requirements

1. The Auditor will attend a preplanning conference with the Director of Finance & Administration and other appropriate personnel prior to the interim field work; periodic conferences during the audit; as well as an exit conference prior to the completion of field work.

2. The Director of Finance & Administration will receive a listing of requested information needed for the audit at the preplanning conference.
3. The City prefers interim field work to be performed and completed toward the end of the 4th quarter of the fiscal year being audited.
4. An agreed upon pre-closing trial balance will be prepared by June 15th and an agreed upon post-closing trail balance will be prepared by a negotiated date.
5. The audit must be completed and reports rendered within five months following the fiscal year end of the City of Portsmouth.
6. A preliminary draft of the audit and required journal entries must be submitted to the Director of Finance & Administration within five months of year end for proofing and reconciliation to the City's records.
7. The Auditor shall provide final CAFR in pdf format including cover and page numbers ready for the City to provide to the printer for publication.
8. The Auditor shall provide 15 bound copies of the management letter by December 15th.
9. The Auditor shall attend at least one meeting with the City Council, at which the audit report and management letter will be discussed. The Auditor may be required to attend additional City Council meetings or work sessions at the request of the City Council.
10. Progress reports are to be submitted with billings. These reports are to measure results against the Auditor's work plan. The Auditor shall promptly report to the Audit Committee being established and the City Manager any conditions which impede the proper conduct or planned timetable of the audit.

II. PROPOSAL PREPARATION AND SUBMISSION REQUIREMENTS

A. General Requirements

1. Sealed proposals, plainly marked RFP #30-21 "Professional Municipal Auditing Services" on the outside of the mailing envelope, addressed to the Purchasing Coordinator, City Hall, 1 Junkins Avenue, Portsmouth, New Hampshire 03801, will be accepted until **May 6, 2021 @ 2:00 pm**.
2. All inquiries for information should be directed in writing to:
Purchasing Coordinator, purchasing@cityofportsmouth.com
3. The proposal should be mailed or delivered directly to:
Purchasing Coordinator, 1 Junkins Ave, Portsmouth NH 03801

No Late, facsimile or emailed proposal will be accepted.

4. The Proposal will consist of two separate parts, a Technical Proposal and a Cost Proposal. The Technical Proposal will be comprised of the Auditor's experience and qualifications of its personnel and approach to the work. It will be evaluated based on the selection criteria described in this document. There should be no dollar units or total costs included in the Technical Proposal. The Technical Proposal shall be submitted in a **separate sealed envelope** within the mailing envelope and clearly labeled "**Technical Proposal for RFP 44-21.**"

The Cost Proposal will consist of the Auditor's cost proposal and shall be placed in a **separate sealed envelope** within the mailing envelope and labeled "**Cost Proposal RFP 44-21.**"

5. Five (5) copies of each of the Technical and Cost proposals should be submitted.
6. The City requests that no City officials be contacted during the process. The Purchasing Coordinator may be contacted to clarify questions concerning the RFP.
7. In order to standardize the review process, the Auditor's Technical and Cost proposals must be presented in the following format and include the designated information. Auditors are cautioned that any deviation from this format may result in the disqualification of their submission.

Technical Proposal

1. Title Page

- Project title
- Name of Auditor
- Address and telephone number of Auditor
- Name of contact person
- Date of submission

2. A Letter of Transmittal (limit to one or two pages)

- Briefly state the Auditor's understanding of the work to be done and make a positive commitment to perform the work within the required time frame.
- This letter should be signed by the individual authorized to negotiate for and contractually bind the firm.

3. Table of Contents

- Include a clear identification of the material by section and by page number. Such sections will be those identified below.

4. Professional Experience and Qualifications

- Indicate the location of the office and the number of people, by level that will handle the audit.

- Indicate whether or not the firm is licensed to practice in the State of New Hampshire.
- Describe the firm's organizational structure and professional background as a whole.
- References: Provide a list of the firm's most significant engagements (minimum of 5) performed in the last two years that are similar to the engagement described in the RFP. Indicate the type(s) of services performed and the number of years served for each. For each engagement listed, provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contacted by the City for reference.
- Include a list of New Hampshire communities currently engaged with, length of engagement, and a list of CAFR submissions noted as awarded or rejected.
- Indicate the experience of the local office in providing additional services to the government clients by listing the name of each government, the type(s) of services performed, and the number of years of engagement.
- Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs (peer review). Provide a copy of the firm's current peer review including management letter and responses, if any. Indicate whether review included government engagements.
- Describe the audit organization's participation in Government Finance Officers Association (GFOA).
- Describe the audit organization staff's professional experience in Governmental audits. Provide a resumes for each Partner and Senior Accountant to include his/her professional qualifications, licenses, (e.g. CPA) and experience in auditing relevant government organizations, programs, activities, or functions. Additional information should include any specialized skills, training, or background in public finance. This may include participation in State or National professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles or books.
- Describe the audit team who may be assigned to this audit.
 - i. Must have a dedicated team of at least a Principal in charge, a Team Leader assigned to the site and 2-5 support staff auditors.
 - ii. Principal in charge must be a Certified Public Accountant.
 - iii. Describe the experience with reviewing and analyzing OPEB Actuarial Reports.
- Describe the firm's policy on partner rotation as recommended by GFOA. City retains the right to approve or reject replacements.

- Identify proposed sub-contractors, if any, and the portion(s) of the engagement for which they will be used.
- Describe how the firm meets professional independence standards.

5. Approach to the Audit

Describe the firm's specific audit approach in the form of a work plan. The work plan should include an explanation of the audit methods to be used.

- Provide an understanding of the services to be performed and the work products to be provided as defined in this RFP.
- Provide a work plan to accomplish the scope of services, within the required time frame. The work plan should include time estimates by staff level for each of the significant segments of the work 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.
- Describe the proposed:
 - Segmentation of the engagement;
 - Sample size and extent to which statistical sampling will be used;
 - Type and extent of analytical procedures to be used in the engagement;
 - Approach to be taken to gain and document an understanding of the City's internal control structure;
 - Approach to be taken in determining laws and regulations that will be subject to audit test work; and
 - Approach to be taken in drawing audit samples for purposes of tests of compliance.

6. Other Information

- Describe liability insurance coverage arrangements to assure that it is sufficient to cover claims.
- Describe any regulatory action taken by any oversight body against the proposing audit firm or local office, if any.
- Identify any potential audit difficulties, along with the firm's proposed resolution and any additional assistance expected from City staff.
- Provide any other information you believe relevant to the decision of selection of the best auditing firm for the City.

Cost Proposal

The Cost Proposal should address the requested information below for the June 30, 2021 Audit.

1. Identify and describe any other important cost-based information.

		2021
Financial Statement Audit (including Management Letter)	\$	
CAFR / Financial Statement Preparation	\$	
Single Audit	\$	
Extra Audit Services \$ _____ per hour	\$	
Other (explain)	\$	
TOTAL	\$	

Selection Process

The Audit Committee being established will evaluate and rank the proposals with final selection being made by the governing body.

1. Proposals will be evaluated using a three-step process. First, proposals will be evaluated to determine whether mandatory elements have been met. Those mandatory elements consist of the following:
 - i. Auditor is independent and licensed to practice in New Hampshire.
 - ii. Auditor has at least five (5) years municipal government auditing experience.
 - iii. Auditor has at least five (5) years of prior experience with CAFR.
 - iv. Auditor has no conflict of interest with regard to any other work performed by the Auditor for the City and other entities.
 - v. Auditor adheres to the instructions in this request for proposal on preparing and submitting the proposal.
 - vi. Auditor submits a copy of its last quality control review report and the Auditor has a record of quality audit work.

Firms meeting the mandatory criteria will have their proposals further evaluated and scored for both technical qualifications and price.

a. Technical qualifications (Maximum Points – 70)

- i. Expertise and Experience
 1. The Auditor's past experience and performance on comparable government engagements.
 2. The quality of the Auditor's professional personnel to be assigned to the engagement and the quality of the Auditor's management support personnel to be available for technical consultation.
- ii. Audit Approach
 1. Adequacy of proposal staffing plan for various segments of the engagement.
 2. Adequacy of sampling techniques
 3. Adequacy of analytical procedures

b. Cost Proposal (Maximum Points – 30)

- i. While an important factor, cost will not be the primary determining factor.
2. The Committee will use a point formula during the review process to score proposals. Each member of the committee will first score each technical proposal by each of the criteria described below. The individual scores will then be combined to arrive at a composite technical score for each firm.

After the composite technical score for each firm has been established, the cost proposals will be analyzed and additional points will be added to the technical score based on the Cost Proposal. The maximum score for price will be assigned to the firm offering the

lowest total all-inclusive maximum price. Appropriate fractional shares will be assigned to other proposers.

The City reserves the right to request additional information from firms and to conduct interviews of one or more firms if determined useful to the process. If interviews are held, firms may be re-ranked as part of that process with adjustments to scoring.

The highest ranking firm at the end of the ranking process will be offered the opportunity to enter into contract negotiations with the City. If the parties cannot agree on the final contract terms including scope and fee, the City may end negotiations and proceed to the next highest ranked firm or exercise any of its reserved rights.

Reservation of Rights

The City of Portsmouth reserves the right to reject any or all proposals, to waive technical or legal deficiencies, and to accept and negotiate any terms of a proposal that may be in the best interest of the City. The City may request clarification or additional information of firms.

By submitting a proposal, the firm authorizes the City to undertake such investigation as may be necessary to verify the firm's qualifications and reputation. The firm may be requested to execute a release in favor of third parties who have information relative the firm's qualifications and reputation. Refusal to execute a release may result in disqualification.