

CITY OF LOCKHART
REQUEST FOR PROPOSALS
FOR
PROFESSIONAL AUDITING SERVICES

MARCH 2021

308 W. SAN ANTONIO STREET
LOCKHART, TEXAS 78644

CITY OF LOCKHART
REQUEST FOR PROPOSALS

TABLE OF CONTENTS

I. INTRODUCTION

- A. General Information
- B. Term of Engagement

II. NATURE OF SERVICES REQUIRED

- A. General
- B. Scope of Work to be Performed
- C. Auditing Standards to be Followed
- D. Reports to be Issued
- E. Special Considerations
- F. Working Paper Retention and Access to Working Papers

III. DESCRIPTION OF THE GOVERNMENT

- A. Name and Telephone Number of Contact Person
- B. Background Information
- C. Fund Structure
- D. Federal and State Financial Assistance
- E. Pension Plans
- F. Component Units
- G. Joint Ventures
- H. Magnitude of Finance Operations
- I. Computer Systems
- J. Availability of Prior Reports and Working Papers

IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

- A. Finance Department Assistance
- B. Electronic Data Processing (EDP) Assistance
- C. Statements and Schedules to be Prepared by the Staff of the City of Lockhart
- D. Work Area, Telephone, Photocopying and Fax Machines
- E. Report Preparation

V. PROPOSAL REQUIREMENTS

- A. General Requirements
 - 1. Inquiries
 - 2. Submission of Proposals
- B. Technical Proposal
 - 1. General Requirements
 - 2. Independence
 - 3. License to Practice in Texas

4. Firm Qualifications and Experience
 5. Partner, Supervisory and Staff Qualifications and Experience
 6. Prior Engagements with the City of Lockhart
 7. Similar Engagements with Other Government Entities
 8. Specific Audit Approach
 9. Identification of Anticipated Potential Audit Problems
 10. Report Format
- C. Sealed Dollar Cost Bid
1. Total All-Inclusive Maximum Price
 2. Rates by Partner, Specialist, Supervisory and Staff Level Times the Hours Anticipated for Each
 3. Out-of-Pocket Expenses in the Total All-Inclusive Maximum Price and Reimbursement Rates
 4. Rates for Additional Professional Services
 5. Manner of Payment

VI. EVALUATION PROCEDURES

- A. Selection Committee
- B. Review of Proposals
- C. Evaluation Criteria
 1. Mandatory Elements
 2. Technical Qualifications
 3. Price
- D. Oral Presentation
- E. Final Selections
- F. Right to Reject Proposals

APPENDICES

- A. Proposer Guarantees
- B. Proposer Warranties
- C. Format for Schedule of Professional Fees and Expenses to Support the Total All-Inclusive Maximum Price

REQUEST FOR PROPOSALS

I. INTRODUCTION

A. GENERAL INFORMATION

The City of Lockhart (the "City") is requesting proposals from qualified firms of certified public accountants to audit financial statements for the fiscal years ending September 30, 2021, 2022, and 2023, with the option of auditing its financial statements for each of the two (2) subsequent fiscal years based on satisfactory performance. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) *Government Auditing Standards* (1994), the provisions of the federal Single Audit Act of 1984 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*, and the provisions of the 1994 AICPA *Audits of State and Local Governmental Units* as well as the following additional requirements: examination for compliance with procedures established by Charter, Ordinance or, where applicable, State and Federal Laws or regulations, including the *Texas Code of Criminal Procedures*.

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

Any inquires concerning the request for proposals should be addressed to Pam Larison, Director of Finance at (512) 398-3461, Extension 229.

To be considered, one original and four (4) copies of a proposal must be received by Pam Larison, Director of Finance at 308 W. San Antonio St., Lockhart, Texas 78644 by 3:00 p.m. on April 1, 2021. The City reserves the right to reject any or all proposals submitted. Proposals submitted will be evaluated by a three-member Selection Committee consisting of:

Pam Larison	Director of Finance
Robert Eggimann	Controller
Keeli Michna	Staff Accountant

During the evaluation process, the Selection Committee and the City reserve 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 or the Selection Committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a

proposal indicates acceptance by the firm of the conditions contained in the request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the firm selected.

B. TERM OF ENGAGEMENT

A three-year contract is contemplated, subject to satisfactory performance, the satisfactory negotiation of terms (including price acceptable to both the City and the selected firm), the concurrence of the City Council and the annual availability of an appropriation.

II. NATURE OF SERVICES REQUIRED

A. GENERAL

The City is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal years ending September 30, 2021, 2022, and 2023, with option to audit the City's financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. SCOPE OF WORK TO BE PERFORMED

The City desires the auditor to express an opinion on the fair presentation of its general-purpose financial statements in conformity with generally accepted accounting principles.

The City also desires the auditor to express an opinion on the fair presentation of its combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the combining and individual fund and account group financial statements and supporting schedules. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the general-purpose financial statements. The auditor is not required to audit the statistical section of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

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.

The City desires the auditor to prepare the Lockhart Economic Development Corporation financial statements and express an opinion on their fair presentation in conformity with generally accepted accounting principles.

From time to time, the City may request the auditor to perform other audits and reviews not specifically provided for under this section. If such a request is made, the auditor shall submit, at the City's request, a separate proposal for completing the engagement, along with a proposed fee schedule. The City reserves the right to contract any additional audits or reviews with whomever they choose.

C. AUDITING STANDARDS TO BE FOLLOWED

To meet the requirements of the request for proposals, the audit shall be performed in accordance with:

Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's (GAO) *Government Auditing Standards* (1994), the provisions of the federal Single Audit Act of 1984 and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments* as well as the following additional requirements: examination for compliance with procedures established by City Charter, City Ordinance or, where applicable, State and Federal Laws or regulations, including the *Texas Code of Criminal Procedures*.

D. REPORTS TO BE ISSUED

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

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk.
3. A report on compliance with applicable laws and regulations.
4. An "in-relation-to" report on the schedule of federal and state financial assistance.
5. A report on the internal control structure used in administering federal and state financial assistance programs.

6. A report on compliance with laws and regulations related to major and non-major federal and state financial assistance programs. This report should include an option on compliance with specific requirements applicable to major federal and state financial assistance programs, a report on compliance with general requirements applicable to major federal and state financial assistance programs, and a report on compliance with laws and regulations applicable to non-major federal and state financial assistance program transactions tested.

In the required reports on internal controls, the auditor shall communicate 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 organizations' ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statements.

Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls.

The reports on compliance shall include all material instances of noncompliance. All non-material instances of noncompliance shall be reported in a separate management letter, which shall be referred to in the report on compliance.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the Director of Finance.

Reporting to the City Council. The auditors shall inform the City Council 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. SPECIAL CONSIDERATIONS

1. The City may send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will be required to provide special assistance to the City to meet the requirements of that program.
2. The City currently anticipates it will prepare one or more official statements in connection with the sale of debt securities which will contain the general-purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the City, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."
3. The City has determined that the following are examples of agencies that will function as cognizant agencies in accordance with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Government*. The U.S. Department of Housing and Urban Development, the U.S. Environmental Protection Agency, the U.S. Department of Justice, the U.S. Department of Homeland Security, the Texas Department of Transportation, the Texas Department of Rural Affairs, and the Texas Commission on Environmental Quality, and Texas Water Development Board
4. The schedule of federal and state financial assistance and related auditor's report, as well as the reports on the internal control structure and compliance can be included in the CAFR or issued separately. If issued separately, thirty copies of the grant report are to be typed and printed by the selected auditor and provided to the City.
5. The City may require the auditor's assistance to comply with new reporting requirements recently mandated by GASB.

F. WORKING PAPER RETENTION AND ACCESS TO WORKING PAPERS

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the City 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 designees:

City of Lockhart

Federal Grant Agencies and Other Federal Agencies

State of Texas Grant Agencies and Other State of Texas Agencies

Auditors of entities of which the City 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 relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. NAME AND TELEPHONE NUMBER OF CONTACT PERSON

The auditor's principal contact with the City will be Pam Larison, Director of Finance at 512-398-3461, or a designated representative, who will coordinate the assistance to be provided by the City to the auditor.

B. BACKGROUND INFORMATION

The City operates under the Manager/Council form of government as established by its charter. There are various department and division heads.

The City serves an area of (11) square miles with a population of 13,924.

The City's fiscal year begins on October 1 and ends on September 30.

The City provides the following services to its citizens: public safety (police, fire, and EMS), public works, parks and recreation, water, sewer and electric utilities, airport, and general administrative services.

The City had a total payroll of (\$6,480,216) covering 159 employees at September 30, 2020.

The accounting and financial reporting functions of the City are centralized.

C. FUND STRUCTURE

The City used the following fund types and account groups in its financial reporting for the fiscal year ended September 30, 2020:

<u>Fund Type/Account Group</u>	<u>Number of Individual Funds</u>	<u>Number with Legally Adopted Annual Budgets</u>
General Fund	1	1
Special Revenue Funds	18	18
Debt Service Funds	1	1

Capital Project Funds	6	6
Enterprise Funds	5	5
Expendable Trust Funds	0	0
Agency Funds	2	2

D. FEDERAL AND STATE FINANCIAL ASSISTANCE

During the fiscal year to be audited, the City received financial assistance from federal and state agencies.

E. THE CITY PARTICIPATES IN THE FOLLOWING PENSION PLANS:

<u>Plan</u>	<u>Multiple-Employer</u>		<u>Single-Employer</u>	
	<u>Cost Defined</u>	<u>Sharing</u>	<u>Defined</u>	<u>Contrib.</u>
Texas Municipal Retirement System		X		
IRC 457 Deferred Comp. Plan		X		
Texas Emergency Services Retirement System	X			

F. COMPONENT UNITS

The City currently has one component unit.

G. JOINT VENTURES

The City is not currently participating in joint ventures with other governments.

H. MAGNITUDE OF FINANCE OPERATIONS

The Finance Department is directed by Pam Larison, Director of Finance. The Finance/Accounting Division consists of 4 employees.

- Controller
- Staff Accountant
- Personnel/Payroll Clerk
- Accounts Payable Clerk

I. COMPUTER SYSTEMS

The City's financial and accounting records are maintained on Tyler Technology's Incode software. The Finance Department uses Personal Computers that are networked to a Windows based server system.

J. AVAILABILITY OF PRIOR AUDIT REPORTS AND WORKING PAPERS

Interested proposers who wish to review prior years' audit reports and management letters should contact Mr. Stephen VanManen at the Victoria office of Harrison, Waldrop, and Uherek, LLP, 361-573-3255. The City will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. FINANCE DEPARTMENT ASSISTANCE

The 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 confirmations will be the responsibility of the City.

B. ELECTRONIC DATA PROCESSING (EDP) ASSISTANCE

Basic data processing support and staff assistance will be available to the auditor.

C. STATEMENTS AND SCHEDULES TO BE PREPARED BY CITY STAFF

The accounting staff will prepare necessary prepared-by-client (PBC's) working papers normally required for the annual audit. All working papers to be prepared by the City must be submitted, by written list, to the City on or before October 1, of each year together with adequate explanatory detail as to the purpose of the working papers as well as method of preparing the working papers. Sufficiency and adequacy of detail will be determined by the City.

Most working papers and all lead schedules are prepared on EXCEL FOR WINDOWS.

D. WORK AREA, TELEPHONES, PHOTOCOPYING, AND FAX MACHINES

The City will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to one telephone line, photocopying facilities and FAX machine.

E. REPORT PREPARATION

Audit reports are to be addressed to the Honorable Mayor, City Council and City Manager, City of Lockhart, Texas.

The proposal should include a ready-to-print master copy of the entire CAFR as a separately bid item, to be elected at the City's option.

The proposal should include the entire CAFR in a word searchable PDF format as a separately bid item, to be elected at the City's option.

The proposal should include the preparation of the financial statements, notes and all required supplementary schedules of the CAFR as a separately bid item, to be elected at the City's option.

V. PROPOSAL REQUIREMENTS

A. GENERAL REQUIREMENTS

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

City of Lockhart
Pam Larison, Director of Finance
308 W. San Antonio St.
Lockhart, Texas 78644
512-398-3461

If there are questions from prospective auditing firms regarding the interpretation of this RFP, they will be posted along with the answers on the City's website at <http://www.lockhart-tx.org>. They will be found under the Finance Department's link and will be updated every Wednesday, with the final update completed on Wednesday, March 31, 2021.

CONTACT WITH PERSONNEL OF THE CITY OTHER THAN THE DIRECTOR OF FINANCE REGARDING THIS REQUEST FOR PROPOSALS MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.

2. Submission of Proposals

The following material is required to be received by 3:00 p.m. on April 1, 2021 for a proposing firm to be considered:

- a. A master copy (so marked) of the Technical Proposal and Four (4) copies to include the following:
- i. Title page showing the request for proposals' subject; the firm's name; the name, address and telephone number of a contact person; and the date of the proposal.
 - ii. Table of Contents

Include a clear identification of the material by section and by page number.
 - iii. Transmittal Letter

A signed letter (limit to two pages) of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for 60 days.
 - iv. Detailed Proposal

The detailed proposal should follow the order set forth in Section V. B. of this request for proposals.
 - v. Executed copies of Proposers Guarantees and Proposers Warranties, attached to this request for proposals (Appendix A and Appendix B)
- b. The proposer shall submit an original and four (4) copies of a dollar cost bid in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID
PROPOSAL
FOR
THE CITY OF LOCKHART
FOR
PROFESSIONAL AUDITING SERVICES

- c. Proposers should send the completed proposal to the following address:

City of Lockhart
Pam Larison, Director of Finance
308 W. San Antonio Street
Lockhart, Texas 78644

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 in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firms and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The technical proposal should address all the points outlined in the request for proposals. 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 proposals. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the City as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards* (1994).

The firm also should provide an affirmative statement that it is independent of all the component units of the City as defined by those same standards.

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the City or any of its component units for the past five (5) years, together with a statement

explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in Texas

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

4. Firm Qualifications and Experience

The proposal should 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 on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

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 (3) 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 (3) years with state regulatory bodies or professional organizations.

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 Texas. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and 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.

The proposer should identify the extent to which staff, to be assigned to the audit, reflect the City's commitment to diversity.

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

6. Prior Engagements with the City of Lockhart

The firm should list separately all engagements within the last five years, ranked based on total staff hours, for the City by type of engagement (i.e., audit, management advisory services, other). For each engagement, the firm should indicate the scope of the work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

7. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last five years that are similar to the engagement described in this request for proposals. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

8. 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 proposals.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement;
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement;

- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement;
- d. Extent of use of EDP software in the engagement;
- e. Type and extent of analytical procedures to be used in the engagement;
- f. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- g. Statistical sampling technique to be used for audit samplings for purposes of test of compliance.

9. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City.

10. Report Format

The proposal should include sample formats for required reports.

C. SEALED DOLLAR COST BID

1. Total All-Inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total All-Inclusive maximum price to be bid is to contain all direct and indirect costs including all Out-of-Pocket expenses stated separately.

The City will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of Firm.
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract with the City of Lockhart.

- c. A Total All-Inclusive Maximum Price for each of the fiscal years ending September 30, 2021, 2022, and 2023. Identify the fee for out-of pocket expenses, if any, separately from the fee for audit services.
- d. A Total All-Inclusive Maximum Price for the preparation of the CAFR; a ready-to-print master copy of the CAFR; and presenting the CAFR in a Word searchable PDF format.
- e. A Total All-Inclusive Maximum Price for the Lockhart Economic Development Corporation audit.

2. Partner, Specialist, Supervisory and Staff Level Rates Times the Hours Anticipated for Each Staffing Level

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix C, part 1), that supports the total All-Inclusive maximum price. The cost of special services described in Section II. E. of this request for proposals should be disclosed as separate components of the total All-Inclusive maximum price using the format provided in Appendix C, parts 2 and 3.

3. Out-of-Pocket Expenses Included in the Total All-Inclusive Maximum Price and Reimbursement Rates

All estimated Out-of-Pocket expenses to be reimbursed should be presented in the sealed dollar cost bid in the format provided in the attachment (Appendix C). All expense reimbursements should be included in the total All-Inclusive maximum price submitted by the firm.

4. Rates for Additional Professional Services

Should it become necessary for the City to request the auditor to 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, such additional work shall be performed only if set forth in an addendum to the contract between the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. 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. Interim billings shall cover a period of not less than a calendar quarter. Ten percent (10%) will be withheld from each billing pending delivery of the firm's final reports.

VI. EVALUATION PROCEDURES

A. SELECTION COMMITTEE

Proposals submitted will be evaluated by a three-member Selection Committee consisting of:

Pam Larison	Director of Finance
Robert Eggimann	Controller
Keeli Michna	Staff Accountant

B. REVIEW OF PROPOSALS

The Selection Committee will use a point formula during the review process to score proposals. Each member of the Selection Committee will first score each technical proposal by each of the criteria described in Section VI. C. below. The full Selection Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at a composite technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened, and additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest total All-Inclusive maximum price. Appropriate fractional scores will be assigned to other proposers.

The City reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. EVALUATION CRITERIA

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored 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 Texas
- b. The audit firm's professional personnel have received adequate continuing professional education with the preceding two years
- c. The firm has no conflict of interest with regard to any other work performed by the firm for the City
- 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 the proposal

2. Technical Qualifications

- a. Expertise and Experience
 - i. The firm's experience and performance on comparable government engagements
 - ii. 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
 - iii. The firm's experience and performance auditing similar federal or state financial assistance programs
 - iv. The firm's computer expertise
- b. Audit Approach
 - i. Adequacy of proposed staffing plan for various segments of the engagement
 - ii. Adequacy of sampling techniques
 - iii. Adequacy of analytical procedures
 - iv. Adequacy of audit plan for electronic data processing function

3. Price

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM.

D. 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.

E. FINAL SELECTION

The City will select a firm based upon the recommendation of the Selection Committee and approval of the Lockhart City Council.

F. 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 and confirmed in the contract between the City and the firm selected.

The City reserves the right without prejudice to reject any or all proposals.

APPENDIX A

PROPOSERS GUARANTEES

- I. The proposer certifies it can and will provide and make available, at a minimum, all services set forth in Section II, Nature of Services Required.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX B

PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with State of Texas laws with respect to foreign (non-state of Texas) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the City.
- D. Proposer warrants that it is willing and able to meet required dates and report deadlines.
- E. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX C
Part 1

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE [YEAR] FINANCIAL STATEMENTS

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	_____	\$_____	\$_____	\$_____
Managers	_____	_____	_____	_____
Supervisory staff	_____	_____	_____	_____
Staff	_____	_____	_____	_____
Other (specify): _____	_____	_____	_____	_____
Subtotal				\$_____
Total for services described in Section II E of the request for proposals (Detail on Subsequent Schedules)				\$_____
Out-of-Pocket expenses:				
Meals and lodging			\$_____	
Transportation			_____	
Other (specify): _____			_____	
Subtotal				\$_____
Total All-Inclusive maximum price for [year] audit				\$_____

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total All-Inclusive maximum price.

APPENDIX C
Part 2

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE [YEAR] FINANCIAL STATEMENTS:
COMBINING SCHEDULE-ALL SERVICES
DESCRIBED IN THE REQUEST FOR PROPOSALS**

Nature of Service to be Provided	Schedule	Total Price
		\$ _____
		\$ _____
		\$ _____
		\$ _____
Total		\$ _____

EACH SERVICE DESCRIBED IN THE REQUEST FOR PROPOSALS SHOULD BE SUPPORTED BY AN INDIVIDUAL SCHEDULE IN THE FORMAT PROVIDED IN PART 3 OF THIS APPENDIX.

APPENDIX C
Part 3

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE [YEAR] FINANCIAL STATEMENTS:
SUPPORTING SCHEDULE FOR [NAME OF SERVICE]

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	\$ _____	\$ _____	\$ _____	\$ _____
Managers	_____	_____	_____	_____
Supervisory staff	_____	_____	_____	_____
Staff	_____	_____	_____	_____
Other (specify): _____	_____	_____	_____	_____
Subtotal				\$ _____
 Out-of-Pocket expenses:				
Meals and lodging			\$ _____	
Transportation			_____	
Other (specify): _____			_____	
Subtotal				\$ _____
 Total price for [NAME OF SERVICE]				 \$ _____

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total All-Inclusive maximum price.