



Request for Proposal for
Professional Auditing Services

For Fiscal Years Ending December 31, 2019

December 31, 2020

December 31, 2021

City of Hibbing

401 E. 21st St.

Hibbing, MN 55746

Tom Dicklich, City Administrator

218-262-3486 x 730

GENERAL INFORMATION:

The City of Hibbing is requesting proposals from qualified firms of certified public accountants to audit the financial statements for the City of Hibbing, Minnesota. The audits are to be performed in accordance with accounting standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of the Minnesota Legal Compliance Audit Guide for Local Governments, and Audit Requirements for Federal Awards (Uniform Guidance), as well as other Federal, State, and local requirements in effect now or placed in effect during the engagement.

Inquiries about the engagement or the request for proposal should be addressed to:

Tom Dicklich
City Administrator
tdicklich@ci.hibbing.mn.us
218-262-3486 x 730

Firms shall not contact any other City staff or elected officials with any questions or inquiries.

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

The anticipated selection of a firm will be November 6, 2019, at the regular City Council meeting.

Term of Engagement

A three-year contract is contemplated, subject to renewal and review each year for satisfactory performance and the City's best interests. Based on satisfactory performance, the concurrence of the Hibbing City Council, and the annual availability of an appropriation, the City may extend the agreement annually without solicitations from other firms.

Subcontracting

Following the award of the audit contract, no subcontracting will be allowed without the express prior written consent of the City of Hibbing.

NATURE OF SERVICES REQUIRED

Scope of Work to be Performed

The City of Hibbing will retain the accounting firm to perform the following tasks:

1. Prepare and express an opinion on the fairness of the presentation of its governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information in accordance with generally accepted accounting principles.
2. The auditor shall also be responsible for performing procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted accounting principles.

Auditing Standards to be Followed

To meet the requirements of this Request for Proposal, the auditor's work shall be performed in accordance with:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA);
- The standards for financial audits set forth in the U.S. General Accounting Office's (GAO) Government Auditing Standards;
- The provisions of the Minnesota Legal Compliance Audit Guide for Local Governments;
- Any other Federal, State, and local requirements in effect now or placed into effect during the engagements.

Reports to be Issued

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

1. A report consisting of the Basic Financial Statements, Enterprise Funds and Supplemental Information.
2. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
3. A report on the compliance and internal control over financial reporting based on an audit of the financial statements.
4. A report on compliance with applicable laws and regulations.
5. Communicate in a letter to City management 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 organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.
6. Reportable conditions that are also material weaknesses shall be identified as such in the reports.
7. Non-reportable conditions discovered by the auditors will be reported in the separate letter to City management, which shall be referred to in the report(s) on internal controls.
8. The audit firm will 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 City Administrator and the Mayor of the City.
9. Prepare any other requested or required reports agreed upon in the annual engagement letter. Please refer to the City of Hibbing Financial Statement and Supplementary Information for the Year Ended December 31, 2018, found on the City's website at www.hibbing.mn.us for all required reports and schedules.

Final Reporting to the City Council

Auditors will ensure that the partner in charge of the audit and/or the Audit Manager is available to attend public meetings for discussion of the final report. Auditors will assure themselves that the Hibbing City Council is informed of each of the following:

- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management
- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit
- Legal compliance findings
- Significant deficiencies
- Control deficiencies
- Management recommendations
- Financial analysis
- Update of resolved (and unresolved) issues from prior years
- The auditor's responsibility under generally accepted auditing standards

Contract Termination

Either party may cancel the contract for an audit year by giving notice in writing to the other party at least ninety (90) days prior to January first of the audit year. The City may cancel the contract for cause with 10 days' notice.

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 seven (7) years from report release date, unless a longer period of time is required by law, or the firm is notified in writing by the City of Hibbing 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 Hibbing, State Auditor, US General Accounting Office (GAO), parties designated by the federal or state governments or by the City of Hibbing as part of an audit quality review process. 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.

DESCRIPTION OF THE GOVERNMENT**Principal Contact**

The auditor's principal contact with the City of Hibbing will be the City Clerk-Treasurer, who will coordinate the assistance to be provided by the City to the auditor.

Background Information

The City of Hibbing is located in St. Louis County, Minnesota. The most recent official population estimate is 15,944. The City's governing body consists of a Mayor (4-year term) and six (6) Council members (4-year terms). Four (4) of these councilors are elected by their respective wards and two (2) are at-large. The City's fiscal year is the calendar year. City of Hibbing Fund Structure: General Fund; Sanitation, Sewer, Concessions, and Rental Property Enterprise Funds; two TIF Districts; Debt Service Funds; Capital Funds; Special Revenue Funds, including Library; and HEDA and PUC Component Units. The PUC hires their own auditors separately. Incode by Tyler Technologies is used for accounting software. An electronic copy of the most recent audit of the City for the year ending 12-31-18 is posted on the City's website at www.hibbing.mn.us.

Pension Plans

The City of Hibbing participates in the Public Employees Retirement Assoc. of Minn.

PROPOSAL TIMELINE

| | |
|------------------------------|-------------------|
| Request for proposal issued: | September 5, 2019 |
| Due date for proposals | October 18, 2019 |
| City Council Action | November 6, 2019 |

If needed, interviews with selected firms will take place in late October.

AUDIT RESPONSIBILITIES

Time Requirement of Audit Preparation

The City will be reasonably flexible in scheduling of audit fieldwork, including preliminary audit work. The auditor shall provide the City both a detailed audit plan and a list of all schedules to be prepared by the City prior to the audit. A trial balance will be available by April 1. State reporting is due by June 30. A draft of the financial statements should be presented to the City at least two (2) weeks before this deadline for the City's review and final copies to the Council at a July or August Council meeting.

City Staff Assistance

City staff will be available during the audit to assist the firm by providing information, documentation, and explanations.

Work Area and Equipment

The City of Hibbing will provide the auditor with reasonable workspace, tables and chairs. The auditor will also be provided with access to a telephone, photocopier/scanner/FAX machine, and an internet connection.

Report Preparation

Report preparation and editing shall be the responsibility of the auditor, including any visual presentations for the City Council. The City of Hibbing will require an official copy of the final audit report as well as an electronic (i.e. PDF) copy. Twenty (20) paper copies shall be produced for the City's use.

State Reporting

The auditor shall complete all forms mandated to be sent to the state for reporting purposes.

PROPOSAL REQUIREMENTS

To be considered, qualified firms must submit one (1) hard copy and one (1) electronic copy of their proposal to Tom Dicklich, City Administrator at the City offices located at 401 E. 21st St., Hibbing, MN. 55746, tdicklich@ci.hibbing.mn.us by **Noon on October 18, 2019**. The City of Hibbing reserves the right to reject any or all proposals. The proposal shall include:

1. Title Page -Title page showing the request for proposal subject; the firm's name, address, email, and telephone number of the contact person; and the date of the proposal.
2. Table of Contents
3. Transmittal Letter--A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, 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 45 days.
4. Detailed Proposal-- The detailed proposal should follow the order set forth in Technical Proposal section and Dollar Cost Bid section of this request for proposal.
5. Executed copies of Proposer Warranties (Appendix A).
6. Schedule of Proposed Fees for 2019, 2020 and 2021 audits (Appendix B).

The City of Hibbing reserves 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, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City of Hibbing 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 proposing firm of the conditions contained in this request for proposal, unless clearly and specifically noted in the proposal submitted and confirmed in the written contract between the City of Hibbing and the firm selected.

TECHNICAL PROPOSAL

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 of Hibbing in conformity with the requirements of this request for proposal. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposal requirements.

The Technical 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 proposal. While additional data may be presented, the following subjects, items 1-6, must be included. They represent the criteria against which the proposal will be evaluated.

1. Independence
 - a. The firm should provide an affirmative statement that it is independent of the City of Hibbing as defined by generally accepted auditing standards.
 - b. The firm should also list and describe the firm's professional relationships involving the City of Hibbing or any of its agencies for the past five 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 of Hibbing written notice of any relevant professional relationships entered into during

the period of this agreement.

2. License to Practice in Minnesota
 - a. An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in Minnesota.
3. Firm Qualifications and Experience
 - a. The proposer 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 the 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, the number and nature of the staff to be so employed on a part-time basis, and the number and nature of the staff to be so employed on a temporary basis.
 - b. The firm shall also provide information on the results of any federal or state desk reviews of its audits during the past three 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 years with state regulatory bodies or professional organizations.
4. Partner, Supervisory and Staff Qualifications and Experience
 - a. Identify the principal supervisory and management staff, including engagement partner, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each such person is licensed to practice as a certified public accountant in Minnesota. Provide information on the government auditing experience of each person and overall experience of each person.
 - b. Provide as much information as possible regarding the number, qualifications and experience of the specific staff to be assigned to this engagement. Indicate how the quality of the staff, over the term of the engagement, will be assured.
 - c. Engagement partners, managers, other supervisory staff, and specialists may be changed if those personnel leave the firm, are promoted, or are assigned to another office.
 - d. The City of Hibbing must be notified in writing if consultants and firm specialists mentioned in response to this request for proposal would be changed. Notification shall be done prior to any such change.
 - e. Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.
5. Similar Engagements with Other Government Entities
 - a. For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (minimum of 3, maximum of 5) performed in the last three years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours.
 - b. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. For city engagements, indicate whether or not the Comprehensive Annual Financial Report received the GFOA Certificate of Achievement for the most recent audit.

6. Specific Audit Approach

- a. The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in this request for proposal. The proposal should include sample formats for required reports.

DOLLAR COST BID

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total All-Inclusive Maximum Price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The City will not be responsible for expenses incurred in preparing and submitting the proposal. Such costs should not be included in the proposal.

The dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in Attachment B, that supports the total all-inclusive maximum price.

Since this is an All-Inclusive Maximum Price (AMP), out-of-pocket expenses are not reimbursable.

If it should become necessary for the City to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then 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 dollar cost bid.

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 All-Inclusive dollar cost bid proposal. Interim billing shall cover a period of not less than a calendar month. All bills shall include the service dates, employee names, rates, time billed, amount billed, description of work performed, and miscellaneous expenses associated with the audit. Bills should also include any hours or expenses that are part of the audit but not billed.

EVALUATION PROCEDURES

Review of Proposal

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

Evaluation Criteria

Proposals will be evaluated using three (3) sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated for both technical qualifications and price. The selection process will include, but not be limited to, the following criteria:

- 1. Mandatory Elements
 - a. The audit firm is independent and licensed to practice in Minnesota, has no conflict of interest with regard to any other work performed by the firm for the City of Hibbing.
 - b. The firm adheres to the instructions in this request for proposal on preparing and

submitting the proposal.

- c. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.

2. Technical Quality

a. Expertise and Experience

- 1. The firm's past experience and performance on comparable government engagements.
- 11. 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.

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

- 3. Price- Cost will be a factor in the selection of an audit firm. However, price will not be the sole determining factor in the selection process.

Right to Reject Proposals

The City of Hibbing reserves the right without prejudice to reject any or all proposals. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Hibbing and the firm selected.

APPENDIX A

**CITY OF HIBBING
PROPOSER GUARANTEES**

Proposer warrants that it is willing and able to comply with State of Minnesota laws with respect to foreign (non-state of Minnesota) corporations.

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.

Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Hibbing.

The proposer certifies that it can and will provide and make available, at a minimum, all services set forth in the Section: *Nature of Services Required*.

Proposer warrants that all information provided in connection with this proposal is true and accurate.

Signature of Official: _____

Name (typed or printed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX B

**CITY OF HIBBING
SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
AUDIT YEARS 2019, 2020 AND 2021**

| | 2019 | 2020 | 2021 |
|--|-------------|-------------|-------------|
| Partners | | | |
| Managers | | | |
| Supervisory Staff | | | |
| Audit Staff | | | |
| Other Personnel (Specify) | | | |
| Subtotal: | | | |
| Other: Report Prep/Processing | | | |
| Process State-Mandated Reports | | | |
| Meals and Lodging | | | |
| Transportation | | | |
| Other (Specify) | | | |
| Subtotal: | | | |
| Total Maximum Not to Exceed for All-Inclusive Audit | | | |