

## PROFESSIONAL SERVICES AGREEMENT

**THIS AGREEMENT** is made this \_\_\_\_\_ day of \_\_\_\_\_, 2016, by the **CITY OF GARDEN GROVE**, a municipal corporation, ("CITY") and **Davis Farr LLP**, herein after referred to as "CONTRACTOR".

### RECITALS

The following recitals are a substantive part of this Agreement:

1. This Agreement is entered into pursuant to Garden Grove COUNCIL AUTHORIZATION, DATED \_\_\_\_\_.
2. CITY desires to utilize the services of CONTRACTOR to Provide Annual Auditing Services for the City of Garden Grove for the Five Fiscal Years 2015-16, 2016-17, 2017-18, 2018-19, 2019-20.
3. CONTRACTOR is qualified by virtue of experience, training, education, and expertise to accomplish services.

### AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Term and Termination.** This agreement shall cover services rendered between (March 1, 2016 and June 30, 2021.) City reserves the right to extend the term for two additional fiscal years, one year at a time. This agreement may be terminated by the CITY without cause. In such event, the CITY will compensate CONTRACTOR for work performed to date in accordance with PROPOSAL PRICING form (Attachment B). Contractor is required to present evidence to support performed work completion.
2. **Services to be Provided.** The services to be performed by CONTRACTOR shall consist of tasks as set forth in the Scope of Work. The Scope of Work is attached as Attachment A, and is incorporated herein by reference. The Scope of Work and this Agreement do not guarantee any specific amount of work.
3. **Compensation.** CONTRACTOR shall be compensated as follows:
  - 3.1 **AMOUNT.** Total Compensation under this agreement shall be per the schedule included in the proposal, APPENDIX B, payable in arrears and in accordance with RFP No. S-1176.
  - 3.2 **Payment.** For work under this Agreement, payment shall be made per invoice for work completed. For extra work not a part of this Agreement, a written authorization by CITY will be required, and payment shall be based on schedule included in PROPOSAL PRICING form (Attachment B).

- 3.3 Records of Expenses. CONTRACTOR shall keep complete and accurate records of all costs and expenses incidental to services covered by this Agreement. These records will be made available at reasonable times to CITY.
- 3.4 Termination. CITY shall have the right to terminate this agreement, without cause, by giving thirty (30) days written notice of termination. If the Agreement is terminated by CITY, then the provisions of paragraph 3 would apply to that portion of the work completed.

#### **4. Insurance requirements.**

- 4.1 COMMENCEMENT OF WORK. CONTRACTOR shall not commence work under this Agreement until all certificates and endorsements have been received and approved by the CITY. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify the CITY of any material change, cancellation, or termination at least thirty (30) days in advance.
- 4.2 WORKERS COMPENSATION INSURANCE. During the duration of this Agreement, CONTRACTOR shall maintain Workers Compensation Insurance in the amount and type required by law, if applicable.
- 4.3 INSURANCE AMOUNTS. CONTRACTOR shall maintain the following insurance for the duration of this Agreement:
- (a) Commercial general liability in an amount not less than \$1,000,000.00 per occurrence (**claims made and modified occurrence policies are not acceptable**); Insurance companies must be acceptable to CITY and have a Best's Guide Rating of A-, Class VII or better, as approved by the CITY.
  - (b) Automobile liability in an amount not less than \$1,000,000.00 combined single limit (**claims made and modified occurrence policies are not acceptable**); Insurance companies must be acceptable to CITY and have a Best's Guide Rating of A-, Class VII or better, as approved by the CITY.
  - (c) Professional liability in an amount not less than \$1,000,000.00. Insurance companies must be admitted and licensed In California and have a Best's Guide Rating of A-, Class VII or better, as approved by the City. If the policy is written on a "claims made" basis, the policy shall be continued in full force and effect at all times during the term of the agreement, and for a period of three (3)

years from the date of the completion of services provided. In the event of termination, cancellation, or material change in the policy, professional/consultant shall obtain continuing insurance coverage for the prior acts or omissions of professional/consultant during the course of performing services under the term of the agreement. The coverage shall be evidenced either by a new policy evidencing no gap in coverage, or by obtaining separate extended "tail" coverage with the present or new carrier.

An Additional Insured Endorsement, **ongoing and completed operations**, for the policy under section 4.3 (a) shall designate CITY, its officers, officials, employees, agents, and volunteers as additional insureds for liability arising out of work or operations performed by or on behalf of the CONTRACTOR. CONTRACTOR shall provide to CITY proof of insurance and endorsement forms that conform to City's requirements, as approved by the CITY.

An Additional Insured Endorsement for the policy under section 4.3 (b) shall designate CITY, its officers, officials, employees, agents, and volunteers as additional insureds for automobiles owned, leased, hired, or borrowed by the CONTRACTOR. CONTRACTOR shall provide to CITY proof of insurance and endorsement forms that conform to CITY's requirements, as approved by the CITY.

For any claims related to this Agreement, CONTRACTOR's insurance coverage shall be primary insurance as respects CITY, its officers, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by the CITY, its officers, officials, employees, agents, or volunteers shall be excess of the CONTRACTOR's insurance and shall not contribute with it.

*If CONTRACTOR maintains higher insurance limits than the minimums shown above, CONTRACTOR shall provide coverage for the higher insurance limits otherwise maintained by the CONTRACTOR.*

5. **Non-Liability of Officials and Employees of the CITY.** No official or employee of CITY shall be personally liable to CONTRACTOR in the event of any default or breach by CITY, or for any amount which may become due to CONTRACTOR.
6. **Non-Discrimination.** CONTRACTOR covenants there shall be no discrimination against any person or group due to race, color, creed, religion, sex, marital status, age, handicap, national origin, or ancestry, in any activity pursuant to this Agreement.

7. **Independent Contractor.** It is agreed to that CONTRACTOR shall act and be an independent contractor and not an agent or employee of the CITY, and shall obtain no rights to any benefits which accrue to CITY'S employees.
8. **Compliance with Law.** CONTRACTOR shall comply with all applicable laws, ordinances, codes, and regulations of the federal, state, and local government. CONTRACTOR shall comply with, and shall be responsible for, all contractors and subcontractors performing any of the work pursuant to this Agreement to comply with, all applicable federal and state labor standards, including, to the extent applicable, the prevailing wage requirements promulgated by the Director of Industrial Relations of the State of California Department of Labor. The City makes no warranty or representation concerning whether any of the work performed pursuant to this Agreement constitutes public works subject to the prevailing wage requirements.
9. **Notices.** All notices shall be personally delivered or mailed to the below listed address, or to such other addresses as may be designated by written notice. These addresses shall be used for delivery of service of process.
  - a. (Contractor)  
Davis Farr LLP  
Attention: Jennifer Farr, Partner  
2301 Dupont Drive, Suite 200  
Irvine, CA 92612
  - b. (Address of CITY) (with a copy to):  
City of Garden Grove Garden Grove City Attorney  
11222 Acacia Parkway 11222 Acacia Parkway  
Garden Grove, CA 92840 Garden Grove, CA 92840
10. **CONTRACTOR'S PROPOSAL.** This Agreement shall include CONTRACTOR'S proposal or bid which shall be incorporated herein by reference. In the event of any inconsistency between the terms of the proposal and this Agreement, this Agreement shall govern.
11. **Licenses, Permits, and Fees.** At its sole expense, CONTRACTOR shall obtain a Garden Grove Business License, all permits, and licenses as may be required by this Agreement.
12. **Familiarity with Work.** By executing this Agreement, CONTRACTOR warrants that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the facilities, difficulties, and restrictions of the work under this Agreement. Should Contractor discover any latent or unknown conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY of this and shall not proceed, except at CONTRACTOR'S risk, until written instructions are received from CITY.

13. **Time of Essence.** Time is of the essence in the performance of this Agreement.
14. **Limitations Upon Subcontracting and Assignment.** The experience, knowledge, capability, and reputation of CONTRACTOR, its principals and employees were a substantial inducement for CITY to enter into this Agreement. CONTRACTOR shall not contract with any other entity to perform the services required without written approval of the CITY. This Agreement may not be assigned voluntarily or by operation of law, without the prior written approval of CITY. If CONTRACTOR is permitted to subcontract any part of this Agreement, CONTRACTOR shall be responsible to CITY for the acts and omissions of its subcontractor as it is for persons directly employed. Nothing contained in this Agreement shall create any contractual relationship between any subcontractor and CITY. All persons engaged in the work will be considered employees of CONTRACTOR. CITY will deal directly with and will make all payments to CONTRACTOR.
15. **Authority to Execute.** The persons executing this Agreement on behalf of the parties warrant that they are duly authorized to execute this Agreement and that by executing this Agreement, the parties are formally bound.
16. **Indemnification.** CONTRACTOR agrees to protect, defend, and hold harmless CITY and its elective or appointive boards, officers, agents, and employees from any and all claims, liabilities, expenses, or damages of any nature, including attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of, or in any way connected with performance of the Agreement by CONTRACTOR, CONTRACTOR'S agents, officers, employees, subcontractors, or independent contractors hired by CONTRACTOR. The only exception to CONTRACTOR'S responsibility to protect, defend, and hold harmless CITY, is due to the sole negligence of CITY, or any of its elective or appointive boards, officers, agents, or employees.

This hold harmless agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by CONTRACTOR.

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(Agreement Signature Block on Next Page)

**IN WITNESS THEREOF**, these parties have executed this Agreement on the day and year shown below.

Date: \_\_\_\_\_

**"CITY"  
CITY OF GARDEN GROVE**

By: \_\_\_\_\_  
**City Manager**

**ATTESTED:**

\_\_\_\_\_  
**City Clerk**

Date: \_\_\_\_\_

**"CONTRACTOR"  
Davis Farr LLP**

By: *Jennifer Farr*

Name: Jennifer Farr

Title: Partner

Date: 1/15/2016

Tax ID No. 47-3535842

Contractor's License: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

If CONTRACTOR is a corporation, a Corporate Resolution and/or Corporate Seal is required. If a partnership, Statement of Partnership must be submitted to CITY.

**APPROVED AS TO FORM:**

*Olga Sandora*  
Garden Grove City Attorney

1-20-16

**ATTACHMENT "A"**  
**SCOPE OF WORK**

**RFP NO. S-1176**

**Provide Annual Auditing Services for the City of Garden Grove for the Five  
Fiscal Years 2015-16, 2016-17, 2017-18, 2018-19, 2019-20.**

**I. INTRODUCTION**

**A. Description of the Government**

Background Information

The City of Garden Grove serves an area of 17.08 square miles with a population of approximately 174,000. The City's fiscal year begins on July 1 and ends on June 30.

The City of Garden Grove is a full service general law city providing Municipal Support, Fire Protection, Police Protection, Community Development, Community Services, Public Works – Water, Sewer, Solid Waste, and Parks & Recreation services to the community. The accounting and financial reporting functions of the City are centralized.

More detailed information on the government and its finances can be found in Budget documents, Official Statements, and Comprehensive Annual Financial Reports.

Finance Department Operations

The Finance Department is headed by Kingsley Okereke, Assistant City Manager/ Finance Director, and consists of approximately 42 employees. The Finance Department includes Accounting, Budget, Economic Development, Purchasing, Revenue Management (Business Tax, Investments, Utility Revenue), and Risk Management.

Availability of Prior Comprehensive Annual Financial Reports

The City of Garden Grove's most recent Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014 and prior year CAFRs are posted on the City's website, see Appendix A for website address.

**B. General Information**

The City of Garden Grove ("City") is requesting a proposal from qualified firms of Certified Public Accountants to audit the City's financial statements for the fiscal years ending June 30, 2016, 2017, 2018, 2019, and 2020, with the option of auditing its financial statements for each of the two subsequent fiscal years (FY20-

21; FY21-22). These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits in the current U.S. General Accounting Office's (GAO) Government Auditing Standards, the provisions of the federal Single Audit Act, the Uniform Guidance and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, as amended.

**C. Term of Engagement**

A five (5) year contract is contemplated, with an option to extend the contract for two one-year periods (possible 7-year total), subject to annual review and the discretion of the City.

**D. Subcontracting**

Should any firm submitting a proposal consider subcontracting portions of the engagement, that fact must be clearly identified in the proposal along with the name(s) of the proposed subcontracting firm(s). Following the award of the audit contract, no additional subcontracting will be allowed without the express prior written consent of the City of Garden Grove.

**II. SCOPE OF SERVICES**

**A. General**

The City of Garden Grove is soliciting the services of qualified firms of Certified Public Accountants to audit and express an opinion on the fair presentation of its financial statements in accordance with the provisions contained in this Request for Proposals, subject to the satisfactory negotiation of terms, including a price acceptable to both the City and the selected firm.

**B. Scope of Work to Be Performed**

The selected independent auditor will be required to perform the following tasks:

The auditor shall perform an audit of all funds of the City. The audit shall be conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller of the United States. Generally, City staff prepare the City's Comprehensive Annual Financial Report (CAFR). However, the City may from time to time require the auditors to prepare all or sections of the CAFR. The CAFR will be in full compliance with GASB 34 and all other relevant and applicable GASB pronouncements. The audit firm will render their auditor's report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to



Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the City.

The auditor is expected to express an opinion on the fair presentation of the financial statements of the City of Garden Grove as Successor to the Agency for Community Development and report on compliance with applicable laws, regulations, and administrative requirements governing its activities. The auditor shall prepare GASB 34 and other relevant compliant component unit financial statements for each of the engagements.

The auditor shall perform a single audit on the expenditures of federal grants in accordance with the Uniform Guidance and OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the City's financial statements in accordance with Government Auditing Standards and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance and OMB Circular A-133. The single audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings, and questioned costs, including reportable conditions and material weaknesses, and follow up on prior findings where required.

The auditor shall perform an audit of the Housing Authority FDS report.

The auditor shall perform required compliance procedures pertaining to the low and moderate successor housing authority report.

The auditor shall perform agreed upon procedures pertaining to the City's and the Sanitary District's GANN Limits (Appropriations Limit) and render letters annually to the City and Sanitary District, respectively, regarding compliance.

The auditor shall perform agreed-upon auditing procedures pertaining to the Willowick Golf Course, Gem Theatre, Refuse Hauler, and Civic Center Property Management contracts.

The auditor shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures, and other significant observations that are considered to be non-reportable conditions.

The auditor shall timely prepare and file the Annual State Controller's Reports (City, Street Report, Garden Grove Sanitary District Public Improvement Corporation, Orange County Regional/Cities Airport Authority, Garden Grove Public Improvement Corporation, Garden Grove Sanitary District (Orange), Garden Grove Public Financing Authority), as requested on a year to year basis by the City.

The auditor shall timely prepare and file tax returns as requested by the City (i.e. Garden Grove Sanitary District Improvement Corp.).

The auditor shall provide a reasonable amount of technical assistance upon the City's request throughout the year at no additional cost unless previously agreed upon in each year's engagement letter.

**C. Auditing Standards to Be Followed**

To meet the requirements of this request for proposals, the audit shall be performed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the provisions of the Single Audit Act and the provisions of the Uniform Guidance and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Any revisions to these standards must be followed.

An opinion on compliance with the rules and regulations for successor redevelopment agencies, as published by the Department of Finance and the Office of State Controller, may also be required.

**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 (audit opinion on the financial statements)
2. Single Audit Report
3. AQMD Report
4. Financial and Compliance Audit of the Housing Authority (Section 8)
5. Agreed Upon Procedures Reports for the following:
  - a. Willowick golf course agreement
  - b. Refuse hauler agreement
  - c. Gem theatre production company agreement
  - d. City GANN Limit
  - e. Garden Grove Sanitary District GANN Limit
6. State Controller's Report(s):
  - a. Garden Grove Sanitary District (Orange)
7. Tax Return(s):
  - a. Garden Grove Sanitary District Public Improvement Corporation
8. Management Letter including recommendations for improvements in internal controls considered non-reportable conditions.

The following are additional services and reporting to be performed at the request of the City on an annual basis:

1. Preparation of the Comprehensive Annual Financial Report (in full)
2. Separate audit report of the Successor Redevelopment Agency

3. Separate audit report of the Successor Housing Authority
4. Separate audit report of the Community Development Block Grant
5. Agreed Upon Procedures Report(s):
  - a. Civic center property management agreement
6. State Controller's Report(s):
  - a. City of Garden Grove
  - b. Street Report
  - c. Garden Grove Sanitary District Public Improvement Corporation
  - d. Orange County Regional/Cities Airport Authority
  - e. Garden Grove Public Improvement Corporation
7. Tax Return(s):
  - a. Garden Grove Sanitary District Public Improvement Corporation
  - b. Garden Grove Housing Authority
  - c. Garden Grove Public Financing Authority
  - d. Orange County Regional/Cities Airport Authority
  - e. Garden Grove Public Improvement Corporation

In the required report(s) 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 organization's ability to record, process, summarize, and report financial data consistent with the assertions 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 report(s) on internal controls.

The reports on compliance shall include all instances of significant non-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 following parties: Finance Director, City Manager, City Attorney, and Audit Committee.

**Reporting to the Audit Committee.** Auditors shall assure themselves that the City of Garden Grove's Audit Committee is informed in accordance with applicable standards.

#### **E. Special Considerations**

1. The City of Garden Grove will 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. The Auditor shall provide special assistance to the City of Garden Grove to meet the requirements of that program.

2. The City of Garden Grove, Garden Grove Public Financing Authority, Garden Grove Sanitary District, or the City of Garden Grove as Successor to the former Agency for Community Development may 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, if requested by the fiscal advisor and/or the underwriter, issue a "consent and citation of expertise" as the Auditor and any necessary "comfort letters" at no additional cost to the City.

4. The Single Audit Report shall be issued separately from, and is not to be included in, the comprehensive annual financial report.

**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 Garden Grove of the need to extend the retention period. The Auditor will be required to make working papers available to the City and any other third parties authorized by the City.

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.

**G. Schedule for the FY2014-2015 Fiscal Year Audit**

(A similar schedule will be developed for audits of future fiscal years if the City of Garden Grove exercises its option for additional audits.)

Each of the following shall be completed by the auditor no later than the dates indicated.

**Entrance Conference**

1. The entrance conference shall be held with all key Finance Department personnel. The purpose of this meeting will be to discuss prior audit problems, to discuss interim and year-end work to be performed, to summarize the results of the preliminary review, and to identify the key internal controls or other matters to be tested. Additionally, this meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the Auditor. The entrance conference shall be held in March/April 2015.

**2. Detailed Audit Plan**

Auditor shall provide the City both a detailed audit plan and a list of all schedules to be prepared by the City by March 2015.

**3. Interim Work**

The Auditor shall complete all interim work by May 2015.

#### 4. Field Work

The Auditor shall complete all field work and manager review by September 2015.

#### 5. Draft Reports

The Auditor shall have drafts report(s) and recommendations to management available for review by the Finance Director by October 2015.

#### 6. Final Reports

The City and/or auditor will complete their review of all draft reports as expeditiously as possible. During this time, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed reports shall be delivered to the City within ten (10) working days. It is anticipated that this process will be completed and the final reports (hard-copy, electronic files, and PDF), delivered by the dates listed below.

<b>Report</b>	<b>Draft Due Date</b>	<b>Final Due Date</b>	<b>Responsible Party for Preparation Printing &amp; Binding</b>	<b>Number of Copies</b>
CAFR	Mid-October	End-October	City / Auditor in part or in full	Electronic & PDF
Other Reports	TBD	TBD	Auditor	10 & PDF
Single Audit	Mid-October	End-October	Auditor	10 & PDF
Agreed Upon Procedures	Mid-October	End-October	Auditor	10 & PDF
Management Letter	Mid-October	End-October	Auditor	10 & PDF
Housing Authority FDS	Three - Four weeks prior to date required by Grantor	Two - Three weeks prior to date required by Grantor	Auditor	10 & PDF
State Controller Reports	Three - Four weeks prior to date required by the State Controller's Office	Two - Three weeks prior to date required by the State Controller's Office	Auditor	PDF
Tax Returns	Three - Four weeks prior to required filing date	Two -Three weeks prior to required filing date	Auditor	PDF

### III. PROPOSAL REQUIREMENTS

#### A. General Requirements

## 1. Submission of Proposals

**The following material is required to be received no later than 2:00 p.m. on Friday, September 25, 2015 for a proposing firm to be considered.**

a. A master copy (so marked) of a Technical Proposal and six (6) copies to include the following:

i. Title Page

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

iii. 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 120 days.

iv. Detailed Proposal

The detailed proposal should follow the order set forth below in Section III B. Technical Proposal of this Request for Proposals. It should include an executive summary.

## B. Technical Proposal

### 1. General Requirements

The purpose of the technical proposal (proposal) is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake independent audits 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 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 proposals requirements.

The technical proposal should address all the points outlined in the request for proposals. The proposal should be prepared simply and economically, providing straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented

on the following subjects, items 2-8 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. The firm also should provide an affirmative statement that it is independent of all of the component units of the City of Garden Grove as defined by those same standards.

The firm should also list and describe the firm's (or proposed subcontractor's) 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.

## **3. License to Practice in California**

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed or registered to practice in the State of California.

## **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, 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.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

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 copies of 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.

The proposer shall provide a list of seminars and training presented by the firm during the past three (3) years available for attendance by clients of the firm.

## **5. Partner and Engagement Team Experience**

Identify the principal, supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each person is licensed or registered to practice as a Certified Public Accountant in California. 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 these audits.

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. Indicate how the quality of staff over the term of the agreement will be assured.

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. These personnel may also be changed for other reasons with the express prior written permission of the City. However, in either case, the City retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of the City, which retains the right to approve or reject replacements.

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

## **6. 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. In developing the work plan, reference should be made to such sources of information as the City's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

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 size 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 to gain and document an understanding of the City of Garden Grove's internal control structure
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance

#### **7. 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.

### **C. Proposal Pricing**

#### **1. Total All-Inclusive Maximum Price**

The proposal should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price is to contain all direct and indirect costs including all out-of-pocket expenses. An escalation factor may be addressed in the proposal that will allow for an accurate evaluation of the total cost for the five (5) year engagement period and two (2) year optional extensions.

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

The proposal pricing section should include a total All-Inclusive Maximum price for each year of the engagement, presented in the format provided in attachment **(Appendix B)**.

#### **2. Rates by Partner, Manager, and Staff Level Times Hours Anticipated for Each**

The proposal cost section should also include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix B) that supports the total all-inclusive maximum price for the first and subsequent years of the engagement including the two year options.

### **3. Out-of-Pocket Expenses Included in the Total All-Inclusive Maximum Price**

All estimated out-of-pocket expenses to be reimbursed should also be presented within the cost proposal in the format provided in the attachment (Appendix B). All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

### **4. Rates for Additional Professional Services**

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 request for proposals or to perform additional work as a result of the specific recommendations included in an 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 audit firm. Any such additional work agreed to shall be performed at the same rates set forth in the schedule of fees and expenses included in the cost proposal.

### **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 cost proposal.

## **IV. EVALUATION PROCEDURES AND FINAL SELECTION**

Proposals will be evaluated based on Pages 7-8, Section 8.0, *EVALUATION OF PROPOSALS*.

The Finance Department, with approval of the City Manager, will select a firm based upon staff evaluation and recommendation, which will then be submitted to the City Council for approval. It is anticipated that a firm will be selected by **November 30, 2015**.

## **APPENDIX A**

The City's Comprehensive Annual Financial Report may be found at:

<http://www.ci.garden-grove.ca.us/finance/Budget-Report-Links>

**APPENDIX B**

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES**

## APPENDIX B (REVISED)

### SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR FY2015-2016

	Hours	Standard Hourly Rates (\$)	Quoted Hourly Rates (\$)	Total (\$)
Partners	80	250	170	13,600
Managers	100	175	130	13,000
Supervisory Staff	250	150	105	26,250
Professional Staff	320	100	80	25,600
Clerical Staff				
Other (specify)				
Subtotal	750			78,450
Meals and Lodging				
Transportation				
Report Preparation, Word Processing, Printing and Binding				
Other (specify)				
Subtotal				0
<b>TOTAL</b> proposed price for FY15-16:				78,450
Total price for FY15-16 audit not to exceed:				78,450

#### Fee and Expense Proposal for Subsequent Years:

Escalation Factor (%)	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21 (optional)	FY21-22 (optional)
	0%	0%	2%	2%	2%	2%
Total Price not to exceed:	78,450	78,450	80,010	81,590	83,220	84,880

**APPENDIX B (REVISED)**  
(Continued)

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE FY2015-2016  
BY REPORT  
(Escalation Factor to be applied for future fiscal years)**

<b>Audit Reports:</b>	<b>Cost</b>
A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles (audit opinion on the financial statements)	48,550
Single Audit Report (including preparation)	4,000**
AQMD Report (including preparation)	2,500
Housing Authority (Section 8) Audit Report (including preparation)	12,000*
<b>Agreed Upon Procedures Reports:</b>	
Willowick golf course agreement	2,000
Refuse hauler agreement	2,000
Gem theatre production company agreement	1,600
GANN Limit - City	600
GANN Limit - Garden Grove Sanitary District	400
<b>State Controller's Reports:</b>	
Garden Grove Sanitary District (Orange)	1,600
Garden Grove Public Financing Authority	1,600
<b>Tax Returns:</b>	
Garden Grove Sanitary District Public Improvement Corporation	1,600
<b>Other:</b>	
Management Letter including recommendations for improvements in internal controls considered non-reportable conditions.	included
	78,450

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR ADDITIONAL  
SERVICES BY REPORT / SERVICE  
(Escalation Factor to be applied for future fiscal years)**

<b>Report Preparation:</b>	<b>Cost</b>
Comprehensive Annual Financial Report – preparation in full	5,000
Comprehensive Annual Financial Report – footnote disclosures only	2,000
<b>Separate Audit Reports:</b>	
Successor Redevelopment Agency	5,000
Successor Housing Authority	5,000
Community Development Block Grant	3,000
Garden Grove Public Financing Authority	4,000
Orange County Regional/Cities Airport Authority	4,000
<b>Agreed Upon Procedures Reports:</b>	
Civic center property management agreement	2,000
<b>State Controller's Reports:</b>	
City	3,000
Street Report	1,500

Garden Grove Public Financing Authority	1,600
Garden Grove Sanitary District Public Improvement Corporation	1,600
Orange County Regional/Cities Airport Authority	1,600
Garden Grove Public Improvement Corporation	1,600
<b>Tax Returns:</b>	
Garden Grove Sanitary District Public Improvement Corporation	1,600
Garden Grove Housing Authority	1,600
Garden Grove Public Financing Authority	1,600
Orange County Regional/Cities Airport Authority	1,600
Garden Grove Public Improvement Corporation	1,600
<b>Additional Services:</b>	
Consulting Services - Uniform Guidance Implementation	4,000

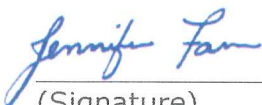
**Proposer must be able to provide all services requested. PARTIAL PRICING PROPOSALS WILL NOT BE ACCEPTED! ALL LINES ON THESE FORMS MUST BE COMPLETED OR THE CITY RESERVES THE RIGHT TO DEEM YOUR PROPOSAL AS NON-RESPONSIVE.**

**NOTE: Please make sure that you include this REVISED version of APPENDIX B with your proposal or your proposal may be deemed as non-responsive.**

**The City also reserves the right to add or delete services as necessary.**

The undersigned hereby certifies that this Proposal is genuine and is not sham or collusive, or made in the interest or in behalf of any person not herein named, and that the undersigned has not directly or indirectly induced or solicited any other proposer to put in a sham bid, or any other person, firm or corporation to refrain from bidding, and that the undersigned has not in any manner sought, by collusion, to secure for himself an advantage over any other bidder.

Please check your calculations before submitting your Proposal; the City of Garden Grove will not be responsible for Proposer miscalculations and may deem your proposal as non-responsive

BY:   
 \_\_\_\_\_  
 (Signature)

949.783.1740

\_\_\_\_\_  
 Telephone Number

Jennifer Farr

\_\_\_\_\_  
 (Type or Print Name)

Partner

\_\_\_\_\_  
 (Title)

JFarr@davisfarr.com

\_\_\_\_\_  
 (Email Address)