

**AUDIT REQUEST FOR PROPOSAL
BUDGETARY-BASIS FINANCIAL STATEMENTS**

SECTION I – GENERAL INFORMATION

The City of Example is incorporated under the applicable laws of the State of Oklahoma and operates under a charter as a Council-Manager form of government. The City and its related component units provide municipal services necessary for the health and well being of its citizens, including police and fire protection, comprehensive land use planning and zoning services, code enforcement; streets and drainage, recreation and parks, cultural and nature services, transportation services, water, wastewater, and sanitation services, and necessary administrative services to support these activities.

The City's financial reporting entity is comprised of the following:

Primary Government:

City of Example

Blended Component Units:

Example Municipal Improvement Authority

Discretely Presented Component Units:

Example Industrial Development Authority

The City maintains its internal accounting records and on a budgetary basis of accounting (for budgetary and compliance accounting purposes) during the year. The budgetary basis is prescribed and defined in the *Oklahoma Municipal League Budgetary Basis Accounting and Reporting Manual*. The City will prepare its annual financial statements in accordance with this budgetary (regulatory) basis of accounting to provide information to determine the municipality's compliance with the Oklahoma State Constitution and applicable State budget laws (the Municipal Budget Act).

As consultants to the City, Crawford and Associates, P.C. will be responsible for preparing a draft of the financial statements and notes, on our behalf, in accordance with the above noted regulatory format, and assisting in writing the MD&A. **It is imperative that the bidding audit firms consider this level of service to be provided by Crawford & Associates in the development of their proposal response as to hours and fees.**

SECTION II – SERVICES REQUIRED

A. General

The City is soliciting the services of qualified firms of certified public accountants to audit its regulatory basis financial statements for the fiscal year ending June 30, 2006. The Example City Council cannot obligate the City in the form of a multiple year contract beyond the income and revenue provided for the current year; however, it is anticipated that the firm selected to serve as the City's independent auditor will be retained for at least five years, with annual evaluations made of the firm's services. These audits are to be performed in accordance with the generally accepted auditing standards and the standards applicable to financial statement audits of Government Auditing Standards as issued by the Comptroller General of the United States, as well as the provisions set forth in this RFP.

In addition, the auditor will also be required to conduct a compliance audit over major federal award programs in accordance with requirements of the Single Audit Act and OMB Circular A-133, if federal awards expended exceed \$500,000 for the fiscal year.

B. Scope of Work

The City desires the auditor to audit the financial statements to express opinions on the fair presentation of the basic financial statements (which will include a statement of net assets, a statement of changes in net assets, and budgetary comparison statements) prepared in conformity with the previously-described budgetary-basis of accounting and presentation. The opinion units will include: the City reporting entity's separate legal entities – the City of Example, the Example Municipal Improvement Authority, and the Example Industrial Development Authority. The auditor is expected to use the audit reporting guidance in AICPA AU Section 623 and related interpretations pertaining to reporting on regulatory basis of accounting statements that do not meet the presentation requirements of GAAP and are to be intended for general distribution. As such, the City anticipates the auditor will provide an adverse opinion as to GAAP, followed by appropriate opinions on the regulatory basis. (See accompany example auditor's report, entitled *Example Auditor's Report on Regulatory Basis Financial Statements*.)

The schedule federal and state awards expended to be included in the supplementary information section will be presented for purposes of additional analysis and is not considered a part of the budgetary-basis basic financial statements. The auditor is to provide an "in-relation-to" report on this supporting schedule based on the auditing procedures applied during the audit of the basic financial statements.

The Performer Analysis will also be presented as supplementary information. The auditor will not be responsible for auditing this information and may render a disclaimer of opinion on such information.

The independent accounting firm should be familiar with the State of Oklahoma statutes dealing with financial matters of cities and public trusts and should be familiar with the financial related sections of the Charter and Code of Ordinances of the City of Example. The firm will be expected to review the minutes of the City and its Public Trusts for the fiscal year being audited.

C. Other Considerations

In addition to the opinions on the basic financial statements, the auditor will be required to issue the by-product report on internal control and compliance over financial reporting in accordance with Government Auditing Standards. A separate management letter shall be prepared by the firm setting forth findings and recommendations relative to other internal control findings, immaterial instances of non-compliance, other matters, and any other significant observations of the accounting firm during the course of the audit. All reports required by the Single Audit Act and OMB Circular A-133 must be provided, if applicable.

The accounting firm will be required to prepare and file the Annual Survey of City and Town Finances (form SA&I 2643) described in Section 17-105.1 of the Oklahoma Statutes.

The accounting firm will be readily available to answer questions throughout the year and meet with City staff if requested.

D. 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:

- The City of Example
- Parties designated by the federal or state government or by the City as part of an audit quality review process
- Auditors of entities of which the City is a recipient or 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. REPORT REQUIREMENTS AND RESPONSIBILITIES

The City's accounting staff, assisted by Crawford & Associates, will prepare end of year adjusting entries and will prepare working trial balances for the auditor. City staff may also prepare confirmations and certain schedules at year end which assist the external accounting firm. City accounting staff and Crawford & Associates staff will be available during the audit to assist the audit firm by providing information, documentation and explanations.

The City will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to all telephone lines and photocopying facilities.

The auditor will be responsible for providing any proposed adjusting entries to the City management and Crawford & Associates for review and acceptance. The audit firm will also provide a list of immaterial audit differences not proposed for adjustment. Once the audit is completed, the audit firm will supply the City with 25 copies of signed audit opinions and related reports. These reports must be submitted prior to December 15, 2006.

The firm will present the final report to an audit committee and/or the Example City Council. The firm will file the report with the Office of the State Auditor & Inspector before December 31, 2006 and be responsible for paying the state-required filing fee.

Please contact the staff of Crawford & Associates with any technical questions related to this RFP or the audit engagement. Their contact information is:

Crawford & Associates, P.C.
10308 Greenbriar Place
Oklahoma City, OK 73159
Phone: 405-691-5550
Fax 405-691-5646
info@crawfordcpas.com
www.crawfordcpas.com

IV. PROPOSAL CONTENT

The proposal should contain the following background information on the firm:

- Understanding of the scope of work and reporting requirements
- Identification and brief biography of staff to be involved
- Background of the firm and its municipal government audit experience
- A copy of the firm's most recent peer review report and any related letter of comments

The proposing firm should provide the following in regards to fees and expenses:

- Standards hourly rates of staff to be involved in the audit
- Hourly rates of staff to be charged if different from standards rates
- Hours anticipated separated by level of staff
- Total not-to-exceed fees and expenses for the scope of audit work requested

The proposed fees and expenses should be presented as separate amounts for each of the three legal entities defined in the scope of work, with a total for all entities included.

The firm should also provide an estimate of the anticipated fee increases for 4 subsequent fiscal years assuming no change in scope of work.

Please submit two copies of the proposal to the following address no later than 5:00 pm CST, July 28, 2006:

Office of the City Clerk
City of Example
115 S. Broadway
Example, OK 74462-2318