



## Request for Proposals

### Auditing Services

Proposals will be received by

**12:00 Noon, Tuesday, December 18, 2018**

IN

**Purchasing Department, City Hall Building  
101 North Main Street, Suite 324 Winston-Salem, NC 27101**

### ADVERTISEMENT FOR PROPOSALS

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Sealed proposals endorsed **Auditing Services** for the City of Winston-Salem will be received by the City/County Purchasing Department in Suite 324, City Hall Building, 101 North Main Street, Winston-Salem, NC **until 12:00 Noon, Tuesday, December 18, 2018**. Instructions for submitting proposals and/or receiving the complete RFP document specifications may be obtained during regular office hours at the same location, or by contacting Jerry Bates via email [jerryjb@cityofws.org](mailto:jerryjb@cityofws.org) (Email is preferred) or phone 336-747-6939. The City reserves the right to reject any or all proposals.

Jerry Bates  
Purchasing Director

**This document IS NOT the complete proposal. To obtain the completed proposal specifications contact Jerry Bates via email [jerryjb@cityofws.org](mailto:jerryjb@cityofws.org), by phone 336-747-6939, or visit the Purchasing Department, City Hall Building, Suite 324, 101 North Main Street, Winston-Salem, NC during regular office hours.**

## INSTRUCTIONS TO PROPOSERS

### INTRODUCTION:

This entire set of documents constitutes the RFP. The proposer must return the RFP with all information necessary to properly analyze the proposer's response in full, in the same numerical order in which it was issued. Proposer's notes, exceptions, and comments may be rendered on an attachment, provided the same format of this RFP text is followed.

### Proposer Questions and Inquiries

Proposer Questions and Inquiries relative to this RFP must be submitted **in writing only** by **12:00 Noon, Tuesday, December 4, 2018**, to Jerry Bates, City/County Purchasing Director, 101 North Main Street, Winston-Salem, NC 27101 or e-mail: [jerryjb@cityofws.org](mailto:jerryjb@cityofws.org) (**Email is preferred**), Fax: (336) 727-2443. The City will provide written responses to all inquiries received by this date, and responses will be made available to all recipients of this RFP. Any oral responses made by any representative of the City may not be relied upon. Any supplements or amendments to this RFP will be in writing and furnished to potential bidders.

### RFP Response Submission

**All proposals shall be returned in a sealed container or envelope containing one original proposal (please mark document as original) showing original signatures and seals and one (1) copy of the complete proposal marked Auditing Services.** In addition to the two (2) paper copies, **please include one (1) electronic copy of your proposal in PDF format** on flash drive, CD, or other electronic media containing only the information included in the hard copy version of the proposal and clearly labeled with the Company Name and RFP name. Proposals must be submitted to the City/County Purchasing Department in Suite 324, City Hall Building, 101 North Main Street, Winston-Salem, NC, no later than **12:00 Noon, Tuesday, December 18, 2018. Late proposals will not be considered.**

The City will not be obligated for the expenses of any provider arising out of preparation and/or submittal of responses to this RFP. Any and all proposals to this RFP are to be prepared at the cost and expense of the respondents, with the express understanding that there may be no claims whatsoever for the reimbursement of any costs, damages, or expenses relating to this procurement from the City or any other party for any reason (including the cancellation of this RFP).

Proposals must be made in the official name of the individual, firm, or corporation under which the business is conducted (showing official business address) and must be signed in ink by a person duly authorized to legally bind the business entity submitting the proposal.

All proposals should be complete and carefully worded and must convey all of the information requested by the City. If errors or exceptions are found in the proposal, or if the proposal fails to conform to the requirements of the RFP, the City will be the sole judge as to whether that variance is significant enough to reject the proposal.

Proposals should be prepared simply and economically. All data, materials, and documentation shall be available in a clear, concise form. The City reserves the right to reproduce proposals for internal use in the evaluation process.

Proposers are expressly forbidden from contacting any other city employee or city of Winston-Salem elected official regarding this Request for Proposals. Any such outside contact may result in disqualification from the request for proposal process.

The City reserves the right to hold proposals open for a period of sixty days (60) days after due date before making awards.

# SCOPE OF WORK/TECHNICAL SPECIFICATIONS

## **SCOPE**

The City of Winston-Salem (hereinafter called the “City”) invites qualified independent auditors (“auditor”) having sufficient governmental accounting and auditing experience in performing an audit in accordance with the specifications outlined in this Request for Proposal (RFP) to submit a proposal.

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

The specific details shown herein shall be considered minimum unless otherwise shown. The specifications, terms, and conditions included with this RFP shall govern in any resulting contract unless approved otherwise in writing by the City of Winston-Salem. The bidder consents to personal jurisdiction and venue in a state court of competent jurisdiction in Forsyth County, North Carolina.

## **Type of Audit**

The audit will encompass a financial and compliance examination of the City’s Comprehensive Annual Financial Report (CAFR), in accordance with the laws and/or regulations of the State of North Carolina, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with generally accepted auditing standards; *Government Auditing Standards*, July 2011 revisions; the Single Audit Act of 1984; the Single Audit Act Amendments of 1996; the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, the State Single Audit Implementation Act; and all other applicable laws and regulations.

## **Period**

The City intends to continue the relationship with the auditor for no less than three years on the basis of annual negotiation after the completion of the first year contract, with options for the City to extend the agreement for as many as (2) additional (12) month periods providing both parties are in agreement and funds are made available for that purpose. Each year after negotiation has taken place an annual contract documenting the terms of the audit will be signed. Since one governing board may not obligate future governing boards, the remaining years of the agreement are subject to annual governing board approval. The City reserves the right to request proposals at any time following the first year of contract. Thus, prepare proposals for the following years, with Year one being the only obligated year.

July 1, 2018 to June 30, 2019

July 1, 2019 to June 30, 2020

July 1, 2020 to June 30, 2021

July 1, 2021 to June 30, 2022

July 1, 2022 to June 30, 2023

## **Requirements**

The audit must be conducted in accordance with generally accepted auditing standards; *Government Auditing Standards*, July 2011 revisions issued by the Comptroller General of the United States; Office of Management and Budget Uniform Guidance, the State Single Audit Implementation Act of 1996, and any other applicable procedures for the audit of a government’s financial statements prepared in accordance with GAAP.

The City prefers interim fieldwork be completed no later than early June. Year end field work should begin in mid August and be completed by September 30<sup>th</sup>. The Assistant Finance Officer/Controller will expect a listing of requested information needed for the audit at the preplanning conference, periodic conferences during the conduct of the audit, as well as an exit conference prior to the completion of fieldwork.

The audit must be completed and reports rendered four months following the fiscal year end (October 31).

The audit must be conducted in a timely manner such that all necessary financial and compliance information

for all funds are completed and presented to the Chief Financial Officer, not later than the 1<sup>st</sup> of October each year, to enable the City to prepare its CAFR. If the City is unable to provide schedules/documents prepared by the Financial Management Services Department staff at the agreed upon time, above time frames will be appropriately extended.

Financial Management Services Department staff will draft all CAFR statements, schedules and notes to the financial statements (except those listed below). Auditor reviews and comments should be turned in to the Chief Financial Officer by the 1st of October each year.

The financial audit opinion will cover the financial statements for the governmental activities, the business-type activities, the financial statements of the aggregate discretely presented component units, each major fund, and the remaining fund information, which collectively constitutes the basic financial statements. The combining and individual financial statements, schedules, and related information are not necessary for fair presentation, but will be presented as additional analytical data. This supplemental information, as required by GASB 34, will be subjected to the tests and other auditing procedures applied in the audit of the basic financial statements, and an opinion will be given as to whether the supplemental information is fairly stated in all material respects in relation to the financial statements taken as a whole. The auditor shall also express an opinion on the budgetary comparison information for the general fund, the major funds, and any annually budgeted special revenue funds. An opinion will not be given on the Management Discussion and Analysis.

The working papers shall be retained and made available upon request for no less than three years from the date of the audit report.

In the event that circumstances arise during the audit that require work to be performed in excess of the original estimates, any additional costs will be negotiated prior to commencement of the work and an amended contract will be approved by the governing board and forwarded to the staff of the LGC for approval.

#### **Audit Contract & Payment of Audit Fees**

The audit contract must be approved by the staff of the Local Government Commission (LGC). Invoices are subject to approval by the LGC staff and the appropriate Grantor Agency, if applicable, prior to processing by the City. If grant funds will be used to pay for the audit, the grant agreement may require the Grantor Agency's approval before the invoice may be paid. Interim or progress billings will be accepted up to 75% of the total fee prior to submission of the audited financial statements to the staff of the Local Government Commission and their approval of the audited financial statements.

#### **Other Services**

The Financial Management Services Department staff may require the auditor's guidance with the completion of certain schedules/documents as to proper format and content, so that they can be used in the audit process as well as for inclusion in the City's CAFR. Guidance may be required for new note disclosure, GASB implementations and other reporting requirements at June 30<sup>th</sup> of each year.

#### **Selection Criteria**

Proposals will be submitted in two sections. The first section will be comprised of the audit firm's prior experience and qualifications of its personnel in performing governmental audits. The second section is the cost estimate.

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#### **First Section**

The first section should address the requested information below. The corresponding responses should begin with the number below for the requested information.

1. Indicate the number of people (by level) located within the local office, along with the location, that

will handle the audit.

2. Provide a list of the local office's current and prior government audit clients, indicating the type(s) of services performed, and the number of years served for each. Responsive firms should include any relevant information regarding audits performed on financial statements prepared under the new reporting model.
3. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the year(s) of engagement.
4. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs (peer review). Provide a copy of the firm's current peer review.
5. Describe the professional experience in governmental audits of each senior and higher level person assigned to the audit, the years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher-level personnel will be on site. Again, relevant experience with the new reporting model should be clearly communicated.
6. Describe the relevant educational background of each person assigned to the audit, senior level and higher. This should include seminars and courses attended within the past three years, especially those courses in governmental accounting and auditing.
7. Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions (e.g., utilities, solid waste, transit, stormwater).
8. Describe any specialized skills, training, or background in public finance of assigned individuals. This may include participation in state or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles and books.
9. Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contacted for reference.
10. Describe the firm's Statement of Policy and Procedures regarding Independence under Government Auditing Standards (Yellow Book), July 2011 Revision. Provide a copy of the firm's Statement of Policy and Procedures.
11. Is the firm adequately insured to cover claims? Describe liability insurance coverage arrangements.
12. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.
13. Comment on your firm's commitment to women and minority employment. Indicate the expected percentage of participation in the proposed services by women and minority staff members.

## **Second Section**

Proposals should include completed cost estimate sheets and any other necessary cost information in a *separate, sealed envelope marked – "Cost Estimate."*

This second section should consist of completed cost estimate sheets, which will include the following information:

1. Type of audit program used (tailor-made, standard government, or standard commercial).
2. Use of statistical sampling.
3. Use of computer audit specialists.
4. Organization of the audit team and the approximate percentage of time spent on the audit by each member.
5. Information that will be contained in the management letter.

6. Assistance expected from the government's staff, if other than outlined in the RFP.
7. Tentative schedule for completing the audit within the specified deadlines of the RFP.
8. Use of internal audit staff.
9. Assistance expected of the City's staff as it relates to SAS 104 – 111 Risk Based Standards.
10. Specify costs using the format below for the audit year July 1, 2018 to June 30, 2019. For the four audit years, which follow, list the estimated costs. The cost for the audit year ending June 30, 2019 is binding, while second thru fifth years are estimated costs. Cost estimates must indicate the basis for the charges and whether the amount is a "not-to-exceed" amount.
  - A. Personnel costs - Itemize the following for each category of personnel (partner, manager, senior, staff accountants, clerical, etc.) with the different rates per hour.
    1. Estimated hours – categorize estimated hours into the following: on-site interim work, year-end on-site work, and work performed in the auditor's office.
    2. Rate per hour.
    3. Total cost for each category of personnel and for all personnel costs in total.
  - B. Travel – itemize transportation and other travel costs separately.
  - C. Cost of supplies and materials – itemize.
  - D. Other costs – completely identify and itemize.
  - E. If applicable, note your method of determining increases in audit costs on a year to year basis.
11. Please list any other information the firm may wish to provide.
12. Please include the Summary of Audit Costs Sheet with your proposal.

## SELECTION PROCESS AND EVALUATION CRITERIA

### A. SELECTION PROCESS

The City reserves the right to act as sole judge of the content of the proposals submitted for the City's evaluation/selection.

### B. EVALUATION PROCESS

Proposals will be evaluated for quality, completeness, and price value to the City of Winston-Salem by an Evaluation Panel. Selection shall be made from all offers deemed to be fully qualified and best suited among those submitting proposals based on the evaluation of factors included in the RFP, including price. Price shall be considered, but need not be the sole determining factor. The Evaluation Panel may cancel this RFP or reject proposals at any time prior to an award and is not required to furnish a statement of the reason why a particular proposal was not deemed the most advantageous.

The City reserves the right, as part of the selection process, to request on-site (or virtual) demonstrations and/or presentations. In the event that such demonstrations or presentations take place, proposers will be selected for this process based on scores derived from the scoring matrix, which includes M/WBE participation, local availability, and all other applicable criteria. The scoring of the demonstration or presentation must be based upon the criteria from one or more of the original evaluation factors. After the demonstrations or presentations, each proposer will then be re-graded on the same criteria. The number of proposers chosen to take place in the demonstration/presentation process is subject to administrative discretion. The recommendation for award will be submitted to the City Council for contract approval.

### B. EVALUATION CRITERIA

Below is a description of the evaluation criteria that will be used to evaluate the proposals. To be deemed responsive, it is important for the firm's proposal to contain appropriate detail to demonstrate satisfaction of each criterion and compliance with the performance provisions outlined in this RFP. The proposal will be the primary source of information used in the evaluation process. Proposal must contain information specifically related to the proposed services requested in this RFP. Failure of any firm to submit information requested may result in the elimination of the proposal from further evaluation.

- **Qualifications and Work Experience-** Audit Firm will be evaluated on governmental accounting and auditing experience provided to governmental units of similar size.
- **Price Value:** Reasonableness/competitiveness of proposed fee and/or benefits to the City of Winston-Salem, although the Evaluation Panel is not bound to select the respondent who proposes the lowest fees or most benefits for services. The Evaluation Panel reserves the right to negotiate fees and/or benefits to the City of Winston-Salem with the selected respondent(s).
- **M/WBE Commitment:** Proposer's efforts to comply with all the terms and conditions of the City of Winston-Salem's Minority and Women Business Enterprise (M/WBE) Program through award of subcontracts to minority and women-owned business enterprises and utilization of minority and women owned business enterprise suppliers to the fullest extent consistent with the efficient performance of this contract. **Please refer to pages 16 through 28**
- **Local Business (Distance from City):** Proposer's business location/distance from the City of Winston-Salem.

The following weighted scale will be utilized by the Evaluation Panel to evaluate and score each proposal:

Evaluation Criteria	Weight
Qualifications and Work Experience	35.00
Price Value	25.00
M/WBE Commitment	20.00
Distance from City of Winston-Salem	20.00

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## **Description of the Governmental Entity and Its Accounting System**

### **Entity**

The City of Winston-Salem is a Municipal Corporation in North Carolina with a population of 243,026. The City operates the following business-type funds: Water & Sewer Fund, Solid Waste Disposal Fund, Parking Fund, Stormwater Management Fund, Transit Authority Fund and Public Assembly Facilities Management Fund.

Based on the criteria set forth in GASB Statement 14, the following organizations will be included in the audit:

North Carolina Municipal Leasing Corporation (“NCMLC”) (blended component unit)  
Risk Acceptance Management Corporation (“RAMCO”) (blended component unit)

### **Funds**

The City of Winston-Salem maintains the following funds:

#### Governmental Funds

General Fund

Special Revenue Funds:

Community Development

Grants

Economic & Housing Development

Gasoline Tax

Occupancy Tax

Emergency Telephone

Downtown Business District

Debt Service Fund

Capital Projects Funds

Permanent Funds:

Cemetery Perpetual Care Fund

#### Proprietary Funds

Enterprise Funds:

Water and Sewer Fund

Solid Waste Disposal

Parking

Stormwater Management

Transit Authority

Public Assembly Facilities Management

Internal Service Fund:

Central Warehouse

Fleet Services

Information Services

Workers' Compensation

Health Benefits

Dental and Flex Benefits

Employee Benefits

Risk Acceptance Management

Fiduciary Funds:

- Pension Trust
- Separation Allowance Trust
- Post-employment Benefits Trust

Budgeted revenues, excluding project amounts, are estimated at \$530,000,000 in fiscal year 2018/2019. As of June 30, 2018, the City had the following bonds outstanding:

General obligation bonds	\$190,636,492
Revenue bonds	\$461,737,244
Special obligation bonds	\$ 23,313,381

The City of Winston-Salem continues to maintain a AAA rating from national bond rating companies.

**Grants, Entitlements, and Shared Revenues**

A copy of the Schedule of Expenditures of Federal and State Awards for the year ended June 30, 2018 is enclosed with this RFP.

**Budgets**

The City budgets all funds on the modified accrual basis of accounting as required by North Carolina law. Appropriations are made at the functional level. The City also maintains an encumbrance system. Both the budgetary and encumbrance systems are integrated with the accounting system to provide easy comparison with actual expenditures.

**Accounting Records**

The City of Winston-Salem maintains its accounting records at the Financial Management Services Department located at 101 North Main Street, Winston-Salem, NC 27101. The City maintains its cash receipts journal, cash disbursements journal, general ledger, and accounts receivable ledger on a Windows 2016 application server and SQL Server 2012 database using Financial Management System III (FMSIII) software manufactured by Mitchell Humphrey and accessible via Active Directory. Information regarding employee payroll and HRIS information is maintained on Linux Servers with an Oracle database using Accero (Cyborg) software manufactured by Sum Total.

**Assistance Available to Auditor**

The City will make available to the auditor sufficient help to pull and re-file records, and prepare and mail all necessary confirmations. A planning meeting will be held each year to determine schedules that the City will be responsible for preparing. City personnel will make every attempt to perform the necessary accounting procedures and complete agreed upon documents no later than dates set each year during the initial planning meeting. Adequate notification will be given prior to any changes in estimated times. The Financial Management Services staff will prepare CAFR schedules using internal reports and Excel spreadsheets. The City is aware of and understands the need to provide assistance to the auditor and will make every attempt to meet agreed upon deadlines.

The books of account will be balanced and subsidiary ledgers will be reconciled to control accounts. Bank account reconciliations for each month will be completed.

The City's personnel will prepare the following items:

**General**

1. Working Balance Sheet for each fund.
2. Working Statement of Revenues, Expenditures, and Transfers for each fund.
3. General Ledger transaction detail report for each account.
4. A copy of the original budget, all amendments, and the final budget as of June 30.
5. A copy of all project ordinances and all amendments for active projects during the audit period.

6. A copy of the operating and capital lease schedules itemizing contracts in force during the audit period as well as access to the lease files maintained in the (location) office.
7. A copy of council policies, including travel and investment policies.
8. Copies of all correspondence with the staff of the Local Government Commission, including semiannual Cash and Investment Reports (LGC-203), unit letters, faxes regarding the audited financial statements and compliance reports for the previous year.
9. Management's Discussion and Analysis.
10. Required supplementary information of the Winston-Salem Police Officer's Retirement System.
11. Required supplementary information of the Winston-Salem Police Officers' Separation Allowance.
12. Required supplementary information of the Post-employment Benefits.
13. Required supplementary information of the Local Government Employees' Retirement System.

### **Cash and Investments**

1. All bank reconciliations for each month.
2. List of outstanding checks by account, showing check number, date, and amount.
3. Schedule of all investments for all funds at the audit date, showing book value and estimated market value at fiscal year end.

### **Receivables**

1. Listing of unpaid tax bills in detail totaled by year as of fiscal year end.
2. Listing of outstanding receivables by fund as of the fiscal year end.
3. Schedule of miscellaneous receivables booked as of the fiscal year end.

### **Other Assets**

1. Schedule of insurance coverage.

### **Capital Assets**

1. Printout of all capital asset acquisitions made during the audit year.
2. Printout of all capital asset dispositions made during the audit year.
3. Access to printout containing calculations used in balancing the Capital Assets subsystem to the government-wide statements.
4. Printout of depreciation expense posted for the audit year.

### **Current Liabilities**

1. Schedule of accounts payable.

### **Long-Term Debt**

1. Computation of vested vacation payable as of the audit date.
2. Debt Schedule for each debt issue and related payments.

### **Grants**

The following will be compiled for each grant:

1. Grant agreement.
2. Budget.
3. All financial reports.
4. Correspondence with the grantor agency, including monitoring reports.
5. CFDA # and/or pass-through grant #.

## Conversion

1. Entries to convert from fund to government-wide statements.
2. Working Statement of Net Position.
3. Working Statement of Activities.
4. Allocation of depreciation among functional areas.
5. Computation of additions and retirements of compensated absences.
6. Reconciliation of fund and government-wide statements.
7. Worksheet for determination of major funds.
8. Worksheet of combining statements for non-major funds.

## Size and Complexity of Unit

### Personnel/Payroll

Number of employees	2,663
Number of payroll direct deposit advises/checks(annual)	77,875

### Property Tax

The Forsyth County Tax Administrator acts as agent for the City in listing, assessing and collecting all taxes related to real and personal property located in the City.

### Municipal Water Department

Number of accounts	127,368
Average number of statements each month	59,000

### Purchasing

Number of purchase orders issued annually	3,109
Number Purchase Card transactions	21,236

### Treasury

Number of Accounts Payable transactions	82,199
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### Bank Accounts

Number of bank accounts	38
Fixed Income Managers	2
Equity Income Managers	9
Index Funds	4

### Information Services

Number of PCs in Financial Management Services	82
Number of employees in Information Services Department	52

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