

Memorandum



CITY OF DALLAS

DATE January 16, 2015

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT External Audit Contract- Request for Proposals

On January 20, 2015, the Budget, Finance and Audit Committee will be briefed on the External Audit Contract- Request for Proposals. The briefing will be presented by Edward Scott, City Controller.

Please let me know if you need additional information.


Jeanne Chipperfield
Chief Financial Officer

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Forest E. Turner, Chief Wellness Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

External Audit Contract Request for Proposals

Budget, Finance and Audit Committee

January 20, 2015



Purpose

- ▶ Provide historical background
- ▶ Brief the committee on contents of the Request for Competitive Sealed Proposal (RFCSP)

Background

- ▶ The City is required by Charter and State law to have an annual independent audit.
- ▶ Unlike most contracts, the City Council evaluates and recommends award of the auditing services contract without a recommendation from City staff.
- ▶ In 2007, the City awarded a contract to Grant Thornton LLP to perform the fiscal years 2007, 2008 and 2009 audits.
- ▶ In 2009, the City awarded the current contract to Grant Thornton LLP to perform the fiscal years 2010, 2011 and 2012 audits, with two one-year renewal options for fiscal years 2013 and 2014, which were subsequently approved.

Background

- ▶ The current contract expires upon the completion of the fiscal year 2014 audit.
- ▶ The City is anticipating this to occur mid- to late-May.
- ▶ A new contract for auditing services must be in place prior to the end of fiscal year 2015 to allow sufficient time to plan the audit and begin preliminary field work.

Contract RFCSP Details

- ▶ The attached RFCSP provides for a 5-year contract instead of a 3-year contract with two 1-year renewals.
 - ▶ Provides new firms a better opportunity to recover startup costs over five years.
 - ▶ Contract will include a clause which will allow the City to terminate the contract upon thirty days written notice.
- ▶ Requires rotation of the senior audit partner every 5 years. If the current audit firm, Grant Thornton, elects to submit a bid, the firm would have to name a new audit partner for the engagement.
- ▶ All other provisions are recommended to remain essentially the same as the current contract.

Selection Criteria

- ▶ The attached RFCSP has the following recommended selection criteria and weightings:
 - ▶ Governmental Auditing Experience, 20 points
 - ▶ Current governmental clients
 - ▶ Experience in comparable audits and single audits
 - ▶ Audit Approach, 15 points
 - ▶ Extent of City staff utilization during engagement
 - ▶ Reasonableness of audit timeline
 - ▶ Reasonableness of audit hours
 - ▶ Adequacy of sampling techniques and analytical procedures
 - ▶ Qualifications of Staff to be Assigned to the Audit, 20 points
 - ▶ Peer review rating
 - ▶ Extent of continuing education received by staff
 - ▶ Size of local office
 - ▶ Extent of on-site staff's government audit experience
 - ▶ Experience in electronic data processing auditing
 - ▶ Participation in professional associations
 - ▶ Business Inclusion and Development Plan, 15 points
 - ▶ Fees, 30 points

Timeline

- ▶ 1/29/15 & 2/5/15: Advertising
- ▶ 2/9/15: Pre-proposal Conference
- ▶ 2/25/15: Proposal due date
- ▶ 4/6/15: Vendor presentations to Budget, Finance and Audit committee
- ▶ 4/10/15: Committee members return completed bid tabulation worksheets
- ▶ 4/20/15: Memo to Committee regarding results
- ▶ 5/27/15: Approval by Council

Requested Action

- ▶ Provide direction to staff regarding the terms of the contract, selection criteria and timeline.

Appendix

Request for Competitive Sealed Proposal

REQUEST FOR COMPETITIVE SEALED PROPOSAL (RFCSP)
Auditing Services
BKZ1517

- I. INTRODUCTION:** The City of Dallas (the City) is soliciting proposals from qualified certified public accounting firms to perform the City's annual audits, including the audits of certain component units of the City, and to provide other auditing services as described within this RFCSP for fiscal years ending September 30, 2015 through September 30, 2019, and certain component unit fiscal years ending December 31, 2015 through December 31, 2019. The auditor is not required to audit the introductory or statistical information sections of the Comprehensive Annual Financial Report.

The audits are to be performed in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, 2011 Revision, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of states, local governments and non-profit organizations.

After reviewing all proposals submitted, the City will notify those firms it wishes to consider further and will schedule oral presentations before the Council's Budget, Finance and Audit Committee. The successful firm will be selected using the criteria identified in Section XIX and audit fees negotiated. The City reserves the right to reject any and all proposals submitted and to request additional information. It should be noted that the use of the auditor's opinion and audited financial statements is at the discretion of the City. The successful firm will be required, in the contract, to consent to the use by the City of the auditor's opinion and the City's audited financial statements in connection with City debt offering documents.

The City's fiscal year 2013 Comprehensive Annual Financial Report (CAFR) was submitted for review by the Government Finance Officers Association of the United States and Canada (GFOA) and was awarded the Certificate of Achievement for Excellence in Financial Reporting. Financial information is available online at www.dallascityhall.com/transparency/.

- II. MINORITY PARTICIPATION:** It is the policy of the City of Dallas to involve Minority and Women-Owned Business Enterprises (M/WBE) to the greatest extent feasible on the City's construction, procurement, and professional services contracts. The City and its contractors shall not discriminate on the basis of race, color, religion, national origin, or sex in the award and performance of contracts. In consideration of this policy, the City of Dallas has adopted the Business Inclusion and Development Plan (BID Plan) for all City of Dallas contracts. The information shall be submitted with the proposal and shall include:

1. Submission of an Affirmative Action Plan and/or Policy. If your company does not have an Affirmative Action Plan the Business Inclusion and Development Staff can provide the Affirmative Action Requirements (BDPS-PRO-204) which will serve as a template to be utilized for this criterion.
2. The Ethnic Workforce Composition Report (BDPS-FRM-204)
3. Submission of documentation showing the RFCSP/RFQ Contractor's Affidavit History of M/WBE Utilization Form (BDPS-FRM-205) on previous contracts on the form provided.
4. Firm (s) Team make-up includes a significant number of diverse M/WBE firms in meaningful roles on the project. Please submit the RFCSP/RFQ Contractor's Affidavit Type of Work by Prime and Sub-consultant Form (BDPS-FRM-206)
 - (a) The name, address and telephone number of each M/WBE; (b) the description of the work to be performed by each M/WBE; and (c) the approximate dollar amount/percentage of the participation.

5. Evidence of acknowledgement of the City's Business Inclusion and Development (BID) Plan, signed Business Inclusion and Development Affidavit (BDPS-FRM-203) that demonstrates intent to comply with the policy and evidence of M/WBE inclusion to meet the BID goal for the project.

- III. DUE DATE OF PROPOSALS:** All proposals shall be received by Business Development & Procurement Services no later than 2:00 p.m. on the due date. Late proposals cannot be accepted. Proposers are responsible for insuring that proposals are received on time and at the right location.

Upon receipt, all proposals become the property of the City of Dallas, which will not be liable for any costs incurred by any Firm responding to this RFCSP. All proposals submitted shall remain valid for one hundred and fifty (150) days following the deadline date. Any proposal submitted before the due date can be withdrawn before the proposal due date and resubmitted. Any proposals not so withdrawn shall constitute an irrevocable offer to provide us the services set forth in the specifications.

- IV. LATE AND WITHDRAWN PROPOSALS:** Proposals received by the City after the time and date will not be considered.

- V. REJECTION OR ACCEPTANCE OF PROPOSALS:** This RFCSP does not commit the City to award any contract. The City of Dallas reserves the right to reject any or all proposals, to waive technicalities or irregularities, and to accept any proposal it deems to be in the best interest of the City. The City reserves the right to reject specific elements contained in all proposals. The City of Dallas shall not be liable for any costs incurred by any firm responding to this RFCSP.

- VI. DISQUALIFICATION OF PROPOSERS:** Proposers may be disqualified for non-compliance with any requirements but not limited to the following reasons:

1. Reason to believe collusion exists among the Proposers.
2. The Proposer is involved in any litigation against the City of Dallas.
3. The Proposer is in arrears on an existing contract or has failed to perform on a previous contract with the City of Dallas.
4. Lack of financial stability.
5. Failure to use the City of Dallas approved forms.

- VII. CONFLICT OF INTEREST:** The Proposer acknowledges that the following section of the Charter of the City of Dallas prohibits certain transactions between the City and its officers and employees, to wit:

CHARTER XXII Sec. 11 FINANCIAL INTEREST OF EMPLOYEE OR OFFICER PROHIBITED - No city official or employee shall have any financial interest, direct or indirect, in any contract with the city, or be financially interested, directly or indirectly, in the sale to the city of any land, materials, supplies or services, except on behalf of the city as a city official or employee. Any violation of this section shall constitute malfeasance in office, and any city official or employee guilty thereof shall thereby forfeit the city official's or employee's office or position with the city. Any violation of this section, with knowledge, express or implied, of the person or corporation contracting with the city shall render the contract involved voidable by the city manager or the city council. The alleged violations of this section shall be matters to be determined either by the trial board in the case of employees who have the right to appeal to the trial board, and by the city council in the case of other employees. The prohibitions of this section shall not apply to the participation by city employees in federally-funded housing programs, to the extent permitted by applicable federal or state law.

This section does not apply to an ownership interest in a mutual or common investment fund that holds securities or other assets unless the person owns more than 10 percent of the value of the fund.

This section does not apply to non-negotiated, form contracts for general city services or benefits if the city services or benefits are made available to the city official or employee on the same terms that they are made available to the general public.

This section does not apply to a nominee or member of a city board or commission, including a city appointee to the Dallas Area Rapid Transit Board. A nominee or member of a city board or commission, including a city appointee to the Dallas Area Rapid Transit Board, must comply with any applicable conflict of interest or ethics provisions in the state law and the Dallas City Code.

- VIII. INDEMNITY:** The CONTRACTOR agrees to defend, indemnify and hold the City, its officers, agents and employees, harmless against any and all claims, lawsuits, judgments, costs, and expenses for personal injury (including death), property damage or other harm for which recovery of damages is sought, suffered by any person or persons, that may arise out of or be occasioned by CONTRACTOR'S breach of any of the terms or provisions of the contract, or by any other negligent or strictly liable act or omission of CONTRACTOR, its officers, agents, employees, or sub-Contractors, in the performance of the contract; except that the indemnity provided for in this paragraph shall not apply to any liability resulting from the sole negligence or fault of the City, its officers, agents, or employees and in the event of joint and concurrent negligence or fault of CONTRACTOR and CITY, responsibility, and indemnity, if any, shall be apportioned comparatively in accordance with the laws of the State of Texas, without waiving any governmental immunity available to the City under Texas law and without waiving any defenses of the parties under Texas law. The provisions of this paragraph are solely for the benefit of the parties hereto and are not intended to create or grant any rights, contractual or otherwise, to any other person or entity.
- IX. PRE-PROPOSAL CONFERENCE:** The City will hold a pre-proposal meeting for interested proposers concerning the specifications of this solicitation. Proposers are encouraged to attend the pre-proposal meeting to discuss any questions with the user department's representative(s). This will be the only contact between the proposer and the department during the bidding process. After the pre-proposal meeting, all correspondence shall go through the buyer.

If the proposer does not ask questions or clarify assumptions, the City will assume the proposer(s) agree(s) with, and understand(s), the City's requirements.

Note

All Addenda and any additional applicable correspondence (general information, questions/responses) to this proposal will be made available "exclusively" through the City of Dallas website for viewing/retrieval. Contractors are solely responsible for frequently checking the website for updates to the solicitation. <https://bids.dallascityhall.com>

CONFIDENTIALITY: Respondents are advised that materials contained in proposals are subject to open records after the contract award, and may be viewed and copied by any member of the public, including news outlets and competitors. The Attorney General may make the final determination as to whether documents are releasable.

- X. INQUIRIES ABOUT THE RFCSP:** Prior to the pre-proposal conference and after the pre-proposal conference, all inquiries and requests for information regarding this RFCSP shall be submitted in writing to the buyer:
- RFCSP# BKZ1517 Audit Services
Attn: Doug Shelton
Douglas.shelton@dallascityhall.com

All requests for information shall be submitted prior to the established RFCSP cutoff date and time. Questions should be submitted in writing no later than the next business day following the pre-proposal meeting. Requests for information will not be honored beyond the established timeframe to allow sufficient time for distribution of the requested information to proposers.

Responses provided will be written and will be issued via Addendum. Addenda will be made available electronically on the City's procurement website: www.bids.dallascityhall.org. No proposal negotiations, decisions or actions initiated by any proposers as a result of any verbal discussion with any City employee shall be binding upon the City of Dallas. Only proposers will be notified of any communications after the proposal closing.

All inquiries shall be directed to the buyer assigned to this procurement. Inquiries are not to be directed to any consultant of the City or City staff member. Such action may disqualify proposers from further consideration of this RFCSP.

During your review of the RFCSP and preparation of proposals, proposer(s) may discover certain errors, omissions or ambiguities. If this is the case, or if the meaning of any part of this RFCSP is unclear, proposer(s) shall submit written questions to the buyer in time to allow the City to answer the questions and distribute written responses to all proposers before the RFCSP due date and time.

The Business Development and Procurement Services Department will make all necessary arrangements for direct contact with other City departments, if required.

- XI. DESCRIPTION OF THE CITY:** The City of Dallas, incorporated in 1856, adopted the City Charter in 1907 and has had a Council-Manager form of government since 1931. The City Council consists of fourteen single district council members and a mayor elected at-large. The estimated population of the City as of 2013 was 1,232,243.

The City Council's Budget, Finance and Audit Committee consists of five council members. The committee is charged with the responsibility of financial and audit oversight of the operations of the City. A list of elected officials, and members of the Budget, Finance and Audit Committee are included in Exhibit E.

The City's 2015 budget provides for \$2.258 billion in operating expenditures and \$549 million in capital improvements.

The following component units included in this request for competitive sealed proposal are not included in the City's budget: Employees' Retirement Fund Pension Plan, Convention Center Hotel Development Corporation, Love Field Airport Modernization Corporation, and Downtown Dallas Development Authority. Additional information for all of the component units of the City can be found in Exhibits B-1 and B-2. In addition, the City may establish one or more additional local government corporations or other special purpose entities which may require reporting as a component unit of the City during the contract period.

The City Controller's Office is responsible for preparing the audited financial statements for the City. The department is headed by the City Controller, Assistant City Controller, Assistant Director for Cash and Debt and Assistant Director for Cash Disbursements. Organizational charts are included in Exhibit E.

- XII. RELATIONSHIP WITH CURRENT AUDIT FIRM:** The City Council awarded a three-year contract to Grant Thornton LLP in 2007 to perform the audits for the City's fiscal years 2007, 2008 and 2009. In 2009, the City awarded a new three-year contract with two one-year renewals, which were subsequently approved, for fiscal years 2010 – 2014. The current firm is eligible to submit a response to this RFCSP, contingent upon current audit partner rotation off of the engagement beginning with the fiscal year 2015 audit and continuing for the remainder of the engagement.
- XIII. AUDIT REQUIREMENTS:** The City Council is required by the State of Texas and the City Charter to have an independent annual audit performed by a public accounting firm licensed to practice in the State of Texas.

Certain difficulties may arise in the future which may increase the level of service required in past audits due to additional grant reporting requirements, implementation of new accounting

standards and financial system upgrades. Additionally, audits for the past 3 years would be required for Oak Cliff Gateway TIF district if bonds are sold.

The City maintains numerous individual funds and groups of accounts to record transactions. The number and type of funds, grants and component units will change over time; the lists presented throughout this request for competitive sealed proposal are current as of September 30, 2014.

- A. Exhibit A lists the reporting entities included in the City's financial statements, by fund type, and the number of funds maintained for each type as of September 30, 2014. Exhibit A-2 lists the funds included in Exhibit A-1 which require a separate audit of their respective basic financial statements. These funds are included as part of this request for competitive sealed proposal, but should be separately identified.
- B. Exhibit B lists the City's component units. Exhibit B-1 lists the component units which are included in this request for competitive sealed proposal. The individual boards for those indicated must also approve the bids; therefore, audit fees should be separately stated for each of those component units. Audits of the component units listed in Exhibit B-2 are not included as part of this request for competitive sealed proposal, but the funds are included in the City's financial statements. All component units maintain financial information in systems other than the City's main financial system. Related organizations not included as component units of the City include the Dallas/Fort Worth International Airport, Dallas Housing Authority and Dallas Area Rapid Transit (please refer to Note 1, page 34 of the City's Fiscal Year 2013 CAFR for additional information).
- C. Exhibit C includes those funds requiring compliance audits as prescribed by other governmental agencies or revenue bond ordinances.
- D. Dallas Water Utilities and Aviation Revenue require a certificate of adequate net revenue coverage for each bond sale. Verification of arithmetical computation of adequacy of escrowed securities and interest will be required for DWU bond refunding as well as infrequent comfort letter(s) (last required in 1988). All such fees should be separately stated.
- E. Other reports required by the City related to: (1) Agreed upon procedures satisfying the Texas Commission on Environmental Quality financial assurance test special report requirements of the Texas Administrative Code, Chapter 37, Subchapter C, which must be filed within six months after the fiscal year end; (2) Passenger Facility Charge audit; and, (3) review of each official statement in conjunction with bond offerings.
- F. A compliance audit is required of management controls on investments and adherence to the City's established investment policy and the Public Funds Investment Act.
- G. A letter to management setting forth any reportable conditions found during the audit as required by generally accepted auditing standards. A written report of all irregularities and illegal, or indications of illegal, acts must be immediately given to the City Manager, Chief Financial Officer, City Controller and the City Attorney.
- H. The City also requires the performance of a Single Audit (Schedule of Grant Expenditures) of federal, state and local grant funds as prescribed by the "Single Audit Act of 1984" as amended and the U.S. Office of Management and Budget (OMB) Circular A-133 and the State of Texas Single Audit Circular (the Circular) in accordance with the State Uniform Grant Management Standards. Exhibit D lists various federal, state and local agencies that currently provide grant funds to the City.

XIV. ACCOUNTING INFORMATION

- A. The modified accrual basis of accounting is used for all governmental fund types; revenues are recorded when measurable and available.

- B. Expenditures are recorded when incurred as fund liabilities according to generally accepted accounting principles.
- C. All proprietary fund types use the accrual basis of accounting, and economic resources measurement focus.
- D. All funds are restated to the accrual basis of accounting and economic resources measurement focus for the government-wide financial statements. For governmental-type funds, this is performed using Excel spreadsheets. The City budget represents departmental appropriations authorized by the annual appropriation ordinance and as revised by the City Council during the fiscal year. Appropriations, estimated revenues and encumbrances are recorded in the accounting records.
- E. Financial System
1. The City uses the integrated accounting system Advantage version 3.9, a product of CGI, Inc., Fairfax, Virginia. Advantage is a financial management system which provides general ledger functions including encumbrance and budget controls, and modules for purchasing, fixed assets, vendor management, and job cost.

The Lawson Human Resources Information System interfaces with Advantage and is not part of the integrated system. Water utilities, sanitation, aviation, security alarm permits, and several other revenue sources are maintained in SAP. The information is interfaced with Advantage. Various other billing and cash receipts systems other than SAP also interface with Advantage.
 2. There are approximately 860 data entry personnel and general system users. Approximately 4,000 journal vouchers are entered annually. Another 100,000 transactions annually are input as interface files from 'feeder' systems such as Lawson, SAP, and equipment services billing and inventory systems.
 3. The accounting structure of Advantage includes approximately:
 - a) 1,200 Funds
 - b) 11,000 Units (cost centers)
 - c) 1,200 Balance Sheet Accounts
 - d) 700 Expenditure Object Categories
 - e) 1,100 Revenue Source Categories
 4. The City processes about 93,000 payment vouchers annually. The City also processes approximately 7,500 wire transfers per year.
 5. The Advantage Financial data base consists of four components, all of them Oracle tables:
 - a) Document Catalog contains all documents which were processed manually or interfaced into the system.
 - b) Tables contain chart of accounts, configuration options and various repositories of information, such as vendors.
 - c) Journals contain chronological accounting activity in detail.
 - d) Ledgers contain summary-level accounting data.
 6. Documentation for the City's systems, policies, and procedures is provided by various manuals including:
 - a) Administrative Directives
 - b) Advantage Training Guide
 - c) Advantage Financial User Guides
 - d) Advantage Financial online help for pages and individual fields
 - e) Human Resources Information System (HRIS) Manual

- f) Records Management Manual
- g) Personnel Rules
- h) City Charter
- i) City Code

F. Centralized Computer Center

The City of Dallas has a Centralized Computer Center. The Advantage financial system is supported, as follows:

1. Database applications run RHEL 5.9 on five physical HP DL380P (Intel Xeon E5) servers.
2. The application is written in Java. IBM Websphere serves HTML pages to standard web browsers on the Intranet.
3. The database is Oracle 11gR2.
4. The data extraction tool is Oracle PL/SQL (SQL Plus), or other database utilities.
5. The end-user reporting tool is InfoAdvantage (a vendor-provided configuration of Business Objects), which runs on a Wintel platform.

XV. ASSISTANCE AVAILABLE TO AUDITORS: The City Controller's Office staff will prepare workpapers, provide documentation and make available training aids for orientation of the auditor's staff. The preparation of confirmation letters will be the responsibility of the City Controller's Office. The City will provide reasonable workspace for the audit staff. Access to telephone, fax, internet and photocopy machines will also be provided.

XVI. PROPOSAL REQUIREMENTS: Each firm should submit one (1) Original – Clearly marked "ORIGINAL" on the front, twenty (20) legible hard Copies each clearly marked "COPY" on the front and one (1) electronic copy on one (1) separate disc or flash drive. Each disc or flash drive shall contain a copy of the entire submittal. Each disc or flash drive shall have the name of the firm and the solicitation name and number on the front of each copy. All shall be submitted in a sealed package. Faxed or emailed responses are not acceptable. The original proposal shall be clearly marked "Original" and signed in blue ink, by hand, in the space marked Authorized Signature. The exterior of the sealed package shall reference the RFCSP name and number. The City of Dallas is not responsible for submissions not properly identified.

Items to be included are:

- A. Table of Contents
Include a clear identification of the material submitted by section and by page number.
- B. Scope of Service
Clearly describe the scope of the required services to be provided defined in terms of both financial statement audit and compliance audit.
- C. Audit Staff
Identify the responsible partner, manager, and in-charge accountant who will work on the audit, including staff from other than the local office. Resumes for each should be included, containing specific governmental experience and whether they are licensed to practice as a Certified Public Accountant in the State of Texas. Indicate any complaints against them that have been leveled by the state board of accountancy or other regulatory authority, if any. Indicate any corrective actions that have been taken by the firm with respect to them. The depth of the staff available should be included and the firm's intent regarding continuity of assigned staff during future years. State whether the proposed staff have received continuing professional education in governmental accounting and auditing during the last two years.

Indicate any joint venture/subcontractor participation by other audit firms and staff profiles as appropriate. Describe the roles of each of the subcontractors in this engagement. Indicate all prior engagements where the subcontractors were utilized by your firm. Provide resumes for the owners/partners participating on the engagement. Indicate any complaints against them that have been leveled by the state board of accountancy or

other regulatory authority, if any. Indicate any corrective actions that have been taken by the firm with respect to them.

It is the City's desire for firms to comply with audit partner rotation from the engagement after five consecutive audits. Describe your firm's plan for audit partner rotation should that become necessary for the current or future audits.

D. Audit Approach

Clearly describe your firm's approach to conducting the audit. Include in this description your proposed utilization of City staff, total staff assigned to this engagement from your firm and the subcontractors, use of technology, methodology for accomplishing the audit requirements in a timely and efficient manner and any special techniques you may employ. Also include proposed segmentation of the engagement, level of staff assigned to each segment, approach to determining sample sizes, use of analytical procedures, approach to determining compliance with laws and regulations, areas that will receive primary emphasis, and the approach to be used in gaining an understanding of the internal control structure. It is the City's goal to issue audited financial statements within 180 days after the fiscal year end. Therefore, indicate procedures and/or work schedules that would be used to facilitate the completion of the audit within this time frame.

Describe the communication process used by your firm to discuss issues with management and the Budget, Finance and Audit committee, including control deficiencies. Discuss your firm's policy and approach to sharing with management copies of electronic files of flowcharts, narratives and other internal control documentation developed during the audit.

E. Identify any potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the City.

F. Independence

State whether your firm is independent of the City of Dallas as defined by generally accepted auditing standards. List and describe the firm's professional relationships involving the City of Dallas, elected or appointed officials or any of its agencies for the past five years. Include a statement explaining why such relationships, if any, do not constitute a conflict of interest.

G. Profile of the Firm

State whether your firm is local, national or international. Give the location of the office from which the work is to be done and the number of partners, managers and other professional staff employed at that office. Provide a statement that the firm and engagement partners are licensed to practice public accounting by the State of Texas.

H. List of all lawsuits pending or filed since of January 2010, including subject matter and status. Disclose any disciplinary action brought against your firm or employees by state regulators, bodies, or professional organizations during the past five years.

I. Governmental Experience

Provide references for your firm's recent experience in local government audits similar to the type requested. Indicate the client name, contact name and title, fiscal years audited, scope of work and engagement partner assigned to the audit. Include whether those clients received the GFOA certificate for excellence in financial reporting for each of the years the client was served by your firm. Provide as references the names and telephone numbers of client officials responsible for those audits. Also identify the five largest local government clients your firm has lost in the past three years and the reasons. In instances when loss of the client was due to an unresolved auditing or accounting matter, discuss the process of attempting to resolve the issue(s).

The City reserves the right to contact references provided by your firm.

- J. Compliance with Auditing Standards Generally Accepted in the United States of America. State whether your firm intends to comply with auditing standards generally accepted in the United States of America and the standards applicable to financial auditing committees in the Government Auditing Standards, 2011 Revision, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of states, local governments and non-profit organizations, including special reporting on internal controls and on compliance with applicable laws and regulations. State whether your firm has complied with applicable requirements for external quality control review and continuing professional education. Include a copy of the firm's most recent peer review report with a statement whether that review included a review of specific government engagements, related letter of comments and the firm's response to the letter of comments. State also whether your firm has complied with continuing professional education in governmental accounting and auditing as specified by the GAO.
- K. Insurance
The successful proposer will be required to purchase, and maintain during the term of the contract, insurance as described in Exhibit F.
- L. Audit Fees
The City Council is required to approve the fees for this contract at the time the auditor is selected and the contract is approved. The estimated fee provided in the response for each level of staff should indicate:
- 1) a combined not-to-exceed fee and estimated hours for the simultaneous audit of the CAFR and Schedule of Grant Activity (Single Audit);
 - 2) the fee and estimated hours for each review of the City's official statement in conjunction with its bond offerings;
 - 3) the fee and estimated hours for the Texas Commission on Environmental Quality Financial Assurance report and Passenger Facility Charge audit;
 - 4) the fee and estimated hours for verification of arithmetical computation of adequacy of escrowed securities and interest for DWU bond refunding and infrequent comfort letter(s) (last required in 1988);
 - 5) the fee and estimated hours for the audit of each component unit identified in Exhibit B-1;
 - 6) the maximum percentage increase in 1), 2), 3), 4) and 5) that can be anticipated in subsequent years (see Section XVIII);
 - 7) maximum hourly rates for services which may be requested outside the scope of the audits for each of the following: Partner, Manager, Senior Accountant, and Staff Accountants;
 - 8) policy for billing the City for questions on technical matters; and
 - 9) conditions which may occur which may result in increases to the audit fees above, although the City will not include unreasonable provisions in the contract that could result in additional obligations on the part of the City without prior approval.
- M. Additional Information
Give any additional information considered essential to this proposal, including involvement in professional organizations. Indicate any planned participation by certified women- or minority-owned firms. Indicate your availability in providing a minimum of 16 hours of continuing professional education annually for the City's professional accounting staff. Indicate any additional services your firm will provide to City residents or staff. Indicate your firm's availability for providing ongoing accounting, financial management systems, and pension/actuarial consultation throughout the year. Describe how the selection of your firm is the best decision the City could make.
- XVII. SELECTION PROCESS:** The Budget, Finance and Audit Committee of the City Council will review the proposals, choose the firms for oral presentations and select the firm it deems most qualified.

XVIII. CONTRACT: The professional audit firm selected by the City to perform this service will be required to sign a contract prepared by the City Attorney's Office (sample contracts are provided). Any modifications to the contract should be addressed in the proposer's response to this RFCSP. Modifications to the contract are subject to review and approval by the City Attorney's Office. The contract will be a five year contract.

XIX. CRITERIA FOR EVALUATION: The criteria for evaluation will include, but not be limited to, the following areas with the approximate weightings as noted:

| | | |
|----|---|----|
| A. | Governmental auditing experience | 20 |
| | - Current governmental clients | |
| | - Experience in comparable audits and single audits | |
| B. | Audit approach | 15 |
| | - Extent of City staff utilization during engagement | |
| | - Reasonableness of audit timetable | |
| | - Reasonableness of audit hours | |
| | - Adequacy of sampling techniques and analytical procedures | |
| C. | Qualifications of staff to be assigned to the audit | 20 |
| | - Peer review rating | |
| | - Extent of continuing education received by staff | |
| | - Size of local office | |
| | - Extent of on-site staff's government audit experience | |
| | - Experience in electronic data processing auditing | |
| | - Participation in professional associations | |
| D. | Business Inclusion and Development Plan | 15 |
| E. | Fees | 30 |

Reporting Entities to be Audited
As of September 30, 2014

Number of Actual
Funds Included In
This Classification

| | | |
|-------------------------|----------|--|
| Governmental Funds: | | |
| General Fund | 14 | |
| Debt Service | 7 | |
| Special Revenue Fund | 642 | |
| Capital Project Fund | 360 | |
| Permanent Fund | 5 | |
| Internal Service Funds: | | |
| Equipment Services | 1 | |
| Communication Services | 2 | |
| Office Services | 2 | |
| Information Systems | 2 | |
| Risk Funds | 17 | |
| Enterprise Funds: | | |
| Water Utilities | 52 | |
| Convention Center | 22 | |
| Aviation Revenue | 39 | |
| Municipal Radio | 2 | |
| Building Inspection | 1 | |
| Fiduciary Funds | | |
| Agency Fund | 17 | |
| Pension Trust Fund | 3 | (None maintained in City's financial system) |
| Other | | |
| General Fixed Assets | 2 | |
| General Long-Term Debt | 1 | |
| Component Units | <u>8</u> | (None maintained in City's financial system) |
| Total | 1,199 | |

Note: Number of funds may change based on new requirements.

Funds Requiring Separate Audited Financial Statements

The City is requesting pricing for the audit of the following funds as part of this request for competitive sealed proposal. These funds require the audit of separate basic financial statements prepared by the City due to bond requirements. The bids for these audits should be separately identified, but do not require additional approval.

Enterprise Funds

Water Utilities

Aviation Revenue

Special Revenue Fund

Vickery Meadow TIF District

City Component Units
Included in the Request for Competitive Sealed Proposal

The following component units prepare separate financial statements. The City is requesting pricing for the audit of these component units as part of this request for competitive sealed proposal. The bids should be separately identified, and are subject to approval by the respective boards.

| | <u>Report Date</u> |
|--|--------------------|
| Employees' Retirement Fund Pension Plan ⁽¹⁾ Established for the benefit of all eligible City employees, excluding firefighters and police officers. | 12/31 |
| Dallas Convention Center Hotel Development Corporation ⁽²⁾ Nonprofit local government corporation created by the City to finance the costs to acquire land and to develop, furnish and equip the City of Dallas Convention Center Hotel. | 12/31 |
| Love Field Airport Modernization Corporation ⁽²⁾ Nonprofit local government corporation created and organized by the City to finance the costs required to demolish and rebuild terminals at Love Field airport as a result of the repeal of the Wright Amendment. | 09/30 |
| Downtown Dallas Development Authority ⁽²⁾ Organized to increase the property tax base in the downtown area of the City in a manner similar to other tax increment financing zones of the City, but with a separate board. | 09/30 |

Notes:

- (1) Financial information is maintained in a separate financial system from the City's. The staff responsible for preparation of financial statements is separate from the City's.
- (2) Financial information is maintained and prepared by the City. The component unit does not use the City's main financial system, but instead uses either Peachtree or Excel to maintain financial activity.

City Component Units
Not Included in the Request for Competitive Sealed Proposal

The following component units are reported in the City's financial statements. The boards of each of the component units procure auditing services independent from the City's procurement process.

| | <u>Report Date</u> |
|---|--------------------|
| Housing Finance Corporation Organized to issue tax-exempt mortgage revenue bonds to encourage opportunities to low to moderate-income citizens for single-family residential home ownership. | 12/31 |
| Housing Acquisition and Development Corporation Organized solely and exclusively for the public purpose of providing safe, affordable housing facilities for low and moderate income persons. | 09/30 |
| Dallas Development Fund Assists in carrying out the economic development program and objectives of the City by generating private investment capital through the New Markets Tax Credit program. | 09/30 |
| North Oak Cliff Municipal Management District (MMD) Organized to promote, develop, encourage and maintain employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety, and public welfare in the District, and educational scholarships for college-bound students residing in or out of the District. | 09/30 |
| Cypress Waters MMD Organized to promote, develop, encourage and maintain employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety, and public welfare in the District. | 09/30 |
| Dallas Police and Fire Pension System Pension Plan Defined benefit pension plan designed to provide retirement, death and disability benefits for firefighters and police officers in compliance with State statutes. | 12/31 |
| Police & Fire Supplemental Pension Fund Pension Plan Established for officials in the Fire and Police Departments who hold rank higher than the highest corresponding Civil Service and available as a result of competitive examination. | 12/31 |

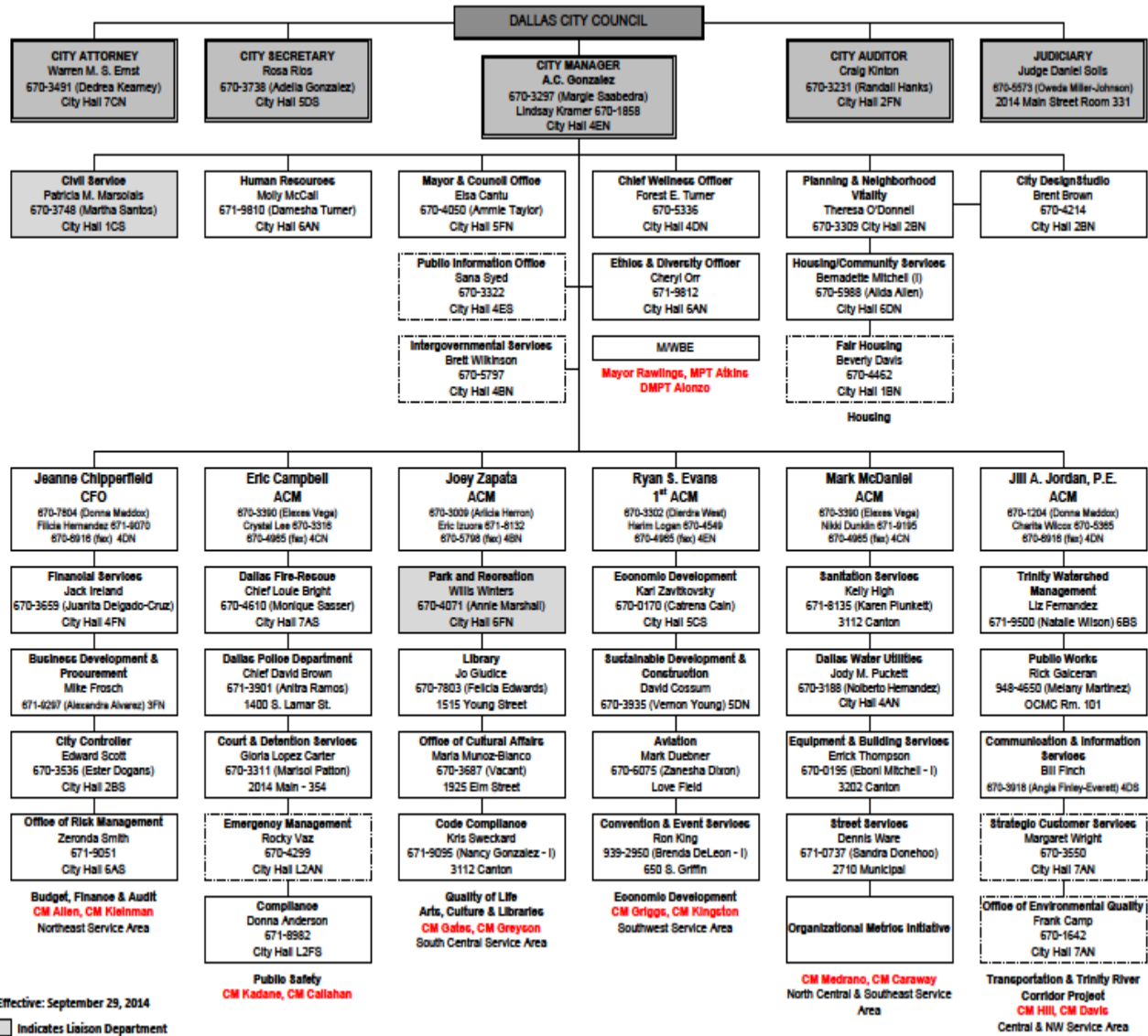
Funds Requiring Compliance Audit

| <u>Fund</u> | <u>Compliance Required By</u> | <u>Report Date</u> |
|----------------------|-------------------------------|--------------------|
| Federal/State Grants | Single Audit Act of 1984 | 09/30 |
| Water Utilities | Revenue Bond Ordinance | 09/30 |
| Convention Center | Revenue Bond Ordinance | 09/30 |
| Airport Revenue | Revenue Bond Ordinance | 09/30 |

Agencies Providing Grant Funds to City of Dallas

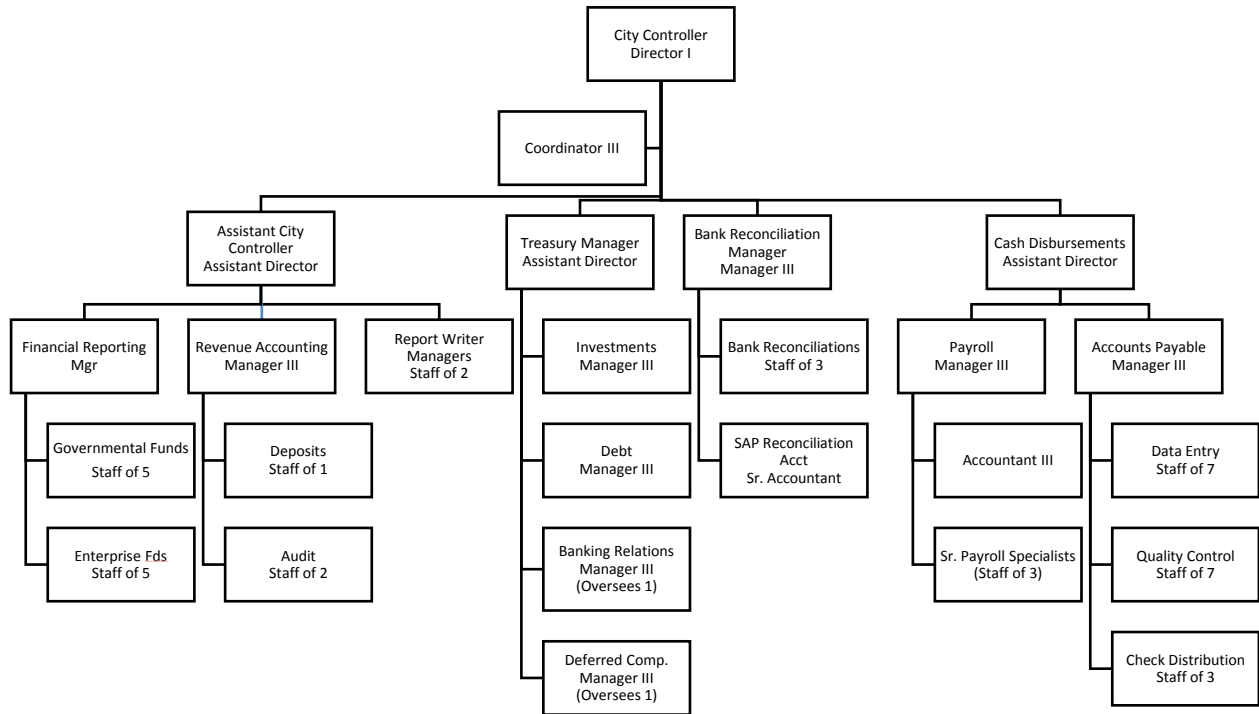
U.S. Department of Agriculture
U.S. Department of Defense
U.S. Department of Education
U.S. Department of Energy
U.S. Department of Health and Human Services
U.S. Department of Homeland Security
U.S. Department of Housing and Urban Development
U.S. Department of Interior, National Park Services
U.S. Department of Justice
U.S. Department of Transportation
U.S. Environmental Protection Agency
Texas Department of Housing and Community Affairs
Texas Department of Transportation
Texas Department of Public Safety
Tax Allocation Section of State Comptroller's Office
Texas Automobile Theft Prevention Authority
Texas Commission on Environmental Quality
Texas Commission on the Arts
Texas Parks and Wildlife Department
Texas State University, Texas School Safety Center
State of Texas Comptroller of Public Accounts
State of Texas Energy Conservation Office
National Highway and Traffic Safety Administration
Governor's Office of General Council and Criminal Justice

City of Dallas Organizational Chart



Effective: September 29, 2014
 [Solid Box] Indicates Liaison Department
 [Dashed Box] Indicates Management Services Division

City Controller's Office Organizational Chart



List of Key Personnel**Elected Officials:**

| | |
|-------------------------|---|
| Mike Rawlings | Mayor |
| Scott Griggs | Councilmember, District 1 |
| Adam Medrano | Councilmember, District 2 |
| Vonciel Jones Hill | Councilmember, District 3 |
| Dwaine R. Caraway | Councilmember, District 4 |
| Rick Callahan | Councilmember, District 5 |
| Monica R. Alonzo | Deputy Mayor Pro Tem, Councilmember, District 6 |
| Carolyn R. Davis | Councilmember, District 7 |
| Tennell Atkins | Mayor Pro Tem, Councilmember, District 8 |
| Sheffield Kadane | Councilmember, District 9 |
| Jerry R. Allen | Councilmember, District 10 |
| Lee M. Kleinman | Councilmember, District 11 |
| Sandy Grayson | Councilmember, District 12 |
| Jennifer Staubach Gates | Councilmember, District 13 |
| Philip T. Kingston | Councilmember, District 14 |

Budget, Finance and Audit Committee

| | |
|-------------------------|------------|
| Jerry R. Allen | Chair |
| Jennifer Staubach Gates | Vice-Chair |
| Tennell Atkins | Member |
| Sheffie Kadane | Member |
| Philip T. Kingston | Member |

Selected Administrative Staff

| | |
|---------------------|------------------------------|
| A.C. Gonzalez | City Manager |
| Ryan Evans | First Assistant City Manager |
| Eric Campbell | Assistant City Manager |
| Jill Jordan | Assistant City Manager |
| Mark McDaniel | Assistant City Manager |
| Joey Zapata | Assistant City Manager |
| Jeanne Chipperfield | Chief Financial Officer |
| Warren Ernst | City Attorney |
| Rosa Rios | City Secretary |
| Craig Kinton, CPA | City Auditor |
| Edward Scott, CPA | City Controller |
| Lance Sehorn, CPA | Assistant City Controller |
| Corrine Steeger | Assistant Director |
| Jimmy Martin, CPA | Assistant Director |