

**STEELE COUNTY
REQUEST FOR PROPOSALS (RFP)
FOR PROFESSIONAL AUDIT SERVICES**

I. INTRODUCTION

A. General Information

Steele County, hereafter known as the County, is requesting proposals from qualified firms of certified public accountants to audit its annual financial statements for the County's fiscal year ending December 31, 2018, 2019 and 2020.

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

To be considered, the proposal must be sent to:

Laura Ihrke
Steele County Auditor
630 Florence Ave
Owatonna, MN 55060

The proposal should be received by the County by 4 pm on October 12, 2018.

The County reserves the right to reject any or all proposals submitted. Proposals submitted will be evaluated by a three (3) member Selection Committee consisting of:

- the County Administrator
- the County Auditor
- the County Treasurer/Finance Director

During the evaluation process, the County reserves the right to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. Firms may be requested to make oral presentations to the Selection Committee as part of the final evaluation process.

The County reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the County and the firm selected.

It is anticipated the selection of a firm will be completed by November 13, 2018. Following the notification of the selected firm it is expected a contract will be

executed between both parties following the November 13, 2018 meeting of the County Board.

B. Term of Engagement

A three-year contract is expected, subject to the annual review and recommendation of the Selection Committee, the satisfactory negotiation of terms (including a price acceptable to both the County and the selected firm) and the approval of the Board of Commissioners of Steele County.

II. NATURE OF SERVICES REQUIRED

A. Scope of Work to be Performed

This RFP is a request for services from a professional firm. We encourage you to ask questions in writing prior to the proposal submission date and time if you need additional information to improve your proposal. At our discretion, we may choose to share the answers with all firms that we have requested proposals. We expect that in your response that you will use professional judgment to advise us on what audit work and services are necessary for the publication we intend to make. If we have omitted any necessary services, we expect you to so advise us and propose to perform those services. We also request any recommendations from you to improve this arrangement of services.

The County requests that audit services will include the following:

- The audit of group financial statements that collectively comprise the basic financial statements
- The application of certain limited procedures in accordance with auditing standards generally accepted in the United States of America to required supplementary information (RSI) as required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context; RSI required by generally accepted accounting principles (GAAP):
 - Management's Discussion and Analysis
 - Budgetary presentation for the general and major special revenue funds and related notes
 - GASB – required supplementary other post-employment benefits and pension information and related notes
- The submission of supplementary information to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, in accordance with auditing standards generally accepted in the United States of America, and the provision of an opinion on it in relation to the financial statements as a whole:
 - Combining statement of changes in assets and liabilities – all

agency funds

- Schedule of intergovernmental revenues
- The County also desires the auditor to provide feedback regarding the County's processes and any recommended changes in practices to improve its financial reporting. The County desires to receive the Certificate of Achievement for Excellence in Financial Reporting award after the three-year engagement; therefore, the auditor's involvement is expected to help the County achieve its goals.

B. Audit Services

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 of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the provisions of the Uniform Guidance; and the legal provision of the Minnesota Legal Compliance Audit Guides.

C. Reports to Be Issued

The auditor shall prepare the following reports at the completion of the audit:

- The Independent auditor's reports on the basic financial statements.
- Independent auditor's report on internal controls over financial reporting based on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreement, noncompliance with which could have a material effect on the financial statements in accordance with Government Government Auditing Standards.
- Independent auditor's report on compliance pursuant to the *Minnesota Legal Compliance Audit Guide for Local Government*.
- Independent auditor's report on internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- A summary of auditor's results and a schedule of findings and questioned costs, if any, required of the Uniform Guidance. Included will be a

management and compliance report that will include the schedule of expenditures of federal awards that will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and upon which you will provide an opinion in relation to the financial statements as a whole.

D. Additional Services

In addition to the audit services described above, the County is requesting the following additional assistance or services:

- Preparation of all required basic financial statements
- Preparation of the notes to the financial statements
- Preparation of supporting schedules and trial balances for the financial statements.
- Typing, copying and binding of annual financial report. The firm will provide the county bound copies and one electronic (PDF) version of the annual financial report.
- The firm will provide the county with copies of their report(s) on the internal control and compliance in accordance with the audit guide and standards for compliance with the Single Audit Act, as may be required.
- Assistance with filing the annual financial report and any applicable reports with appropriate state agencies and departments, including three (3) copies to be filed with the Office of the State Auditor.
- A letter to management containing appropriate suggestions for improvement of accounting procedures and internal controls for the County's consideration. This letter should contain comments and recommendations for controlling any internal weaknesses discovered and shall be discussed with appropriate personnel before finalizing.
- Assist with the preparation and submission of the reporting package, required by the Single Audit Act Amendments of 1996, to the Federal Single Audit Clearing House. This package includes the annual financial report, the supplementary schedule of expenditures of federal awards, the required auditor's reports, including any current findings and questioned costs, a summary schedule of prior audit findings, and a corrective action plan.
- Present to the Board of Directors an overview of the audit, as requested.

E. 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 six (6) years after the report is issued, unless the firm is notified in writing by the County of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the County.

Pursuant to Minn. Stat. § 6.48 (2005), the state auditor may require additional information, including all audit engagement work papers, from the private certified public accountant as the state auditor deems in the public interest. The state auditor may accept the audit or make additional examinations as the state auditor deems to be in the public interest. Your work papers must be available to the Office of the State Auditor for review. *See Minn. Stat. §§ 6.48,6.715, subd. 4.*

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. DESCRIPTION OF THE GOVERNMENT

A. Name and Telephone Number of Contact Person

The audit firm's principal contact with the County will be Cathy Piepho, Treasurer/Finance Director, at (507) 444-7420 who will coordinate the assistance to be provided by the County to the auditor.

B. Background Information

The County was established in 1855 and has the powers, duties, and privileges granted counties by state law, codified in Minn. Stat. ch. 373. The County serves an area of 432 square miles, with a population of 36,755 (as of 2015). The County's fiscal year begins on January 1 and ends on December 31. The County is governed by a five – member board of county commissioners representing separate districts within the county. In addition, the offices of county attorney, sheriff, auditor and treasurer are elected on a county-wide basis¹².

The County offers a full range of services appropriate, in courts, property tax administration, law enforcement and corrections, public works, parks, landfill and other solid waste management, library, community health, nursing home, county extension, and general administration¹³. The County employs approximately 251 full-time and 74 part-time employees. The County is organized into 19 departments. Most of the accounting and financial reporting functions of the County are centralized. However, certain accounting and grant

reporting requirements are performed by accounting staff of Public Health and Public Works departments.

More detailed information on the government and its finances can be found on the County's website or previous Annual Financial Reports. Contact Cathy Piepho at 507-444-7420 concerning access to these documents.

C. Reporting Entity

The reporting entity of the County is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. Using these criteria, the following component units are included in the County's financial statements as either blended or discretely presented:

<u>Component Unit</u>	<u>Presentation</u>
South Central Human Relations Center	Discretely presented
Rice – Steele Consolidated Dispatch	Discretely presented
South Country Health Alliance	Discretely presented
Steele County Communities for a Lifetime, Inc.	Discretely presented
Minnesota Prairie County Alliance	Discretely presented

The firm will not audit the component units.

D. Magnitude of Finance Operations

The County Auditor's Office and Treasurer/Finance Department provide the budgetary, accounting, information systems, purchasing, collections, accounts receivable, and accounts payable functions. The Departments combined have a total of nine full-time employees and one part-time employee.

E. Computer Systems

The day-to-day transactions of the County are conducted with the aid of a computerized governmental accounting system. The computer hardware is an IBM AS/400 and the financial accounting software, Integrated Financial System (IFS) is supported by Counties Providing Technology. The County also uses personal computers on a Windows network.

F. Availability of Prior Audit Reports and Working Papers

The County's prior year audit reports are on the County's website www.co.steele.mn.us under the Finance Division section; otherwise, other financial information may be requested of Cathy Piepho at Catherine.Piepho@co.steele.mn.us. The County will use its best efforts to make

prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals. The County and proposers recognize and agree that all actions related to government information must comply with the Minnesota Government Data Practices Act, Minn. Stat. ch. 13.

IV. **TIME REQUIREMENTS**

The auditors must be able to meet the following essential dates for the fiscal year audit:

Final printed and bound reports by September 25.

V. **ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION**

A. **Finance Department and Clerical Assistance**

The finance department/county auditor's office staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the County as directed by the auditor.

In an effort to contain audit costs, the County has historically prepared as many audit worksheets and schedules as is practical to reduce the clerical work to be performed by the independent auditor. It wishes to continue this practice.

B. **Report Preparation**

Report preparation, editing and printing shall be the responsibility of the auditor. Covers and dividers will be prepared by the auditor.

VI. **PROPOSAL REQUIREMENTS**

A. **General Requirements**

1. **Inquiries**

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

Cathy Piepho
Steele County Treasurer/Finance Director
630 Florence Ave
Owatonna MN 55060
507-444-7420
Catherine.Piepho@co.steele.mn.us

2. **Submission of Proposals**

The following material is required to be received by 4 pm, October 12, 2018 for a proposing firm to be considered:

a. The Proposal should 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 the 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 90 days.

iv. Detailed Proposal

The detailed proposal should follow the order set forth in Section VI B of this request for proposals.

b. Proposers should send the completed proposals to the following address:

Laura Ihrke
Steele County Auditor
630 Florence Ave
Owatonna, MN 55060

Email submissions are acceptable with immediate follow-up with a hard copy. Emailed submissions can be sent to the contact listed above.

B. Audit Proposal

1. **General Requirements**

The purpose of the proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the

County 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 proposal should demonstrate the qualifications of the firm and of the staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

2. Independence

The firm should provide an affirmative statement that it is independent of the County as defined by the generally accepted auditing standards/the U.S. General Accounting Office's *Government Auditing Standards*.

3. License to Practice in Minnesota

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in Minnesota.

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 and the number and nature of the professional staff to be employed in this engagement on a full-time basis and on a part-time basis.

The firm is also required to submit a copy of the report on its most recent external quality control review, including any letter of comments, with a statement whether that quality control review included a review of specific government engagements.

5. Partner, Supervisory and Staff Qualifications and 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 such person is registered or licensed to practice as a certified public accountant in Minnesota. Provide information on the education and 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 this audit.

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 County. Other audit personnel may be changed at the discretion of the firm provided that

replacements have substantially the same or better qualifications or experience.

6. Similar Engagements with Other Government Entities

For the engagement partners, managers, other supervisory staff and specialists assigned responsibility for the audit, list the most significant engagements, especially counties, performed in the last two years that are similar to the engagement, in particular counties, described in this request for proposal. Also, indicate those governments that achieved the Certificate of Achievement for Excellence in Financial Reporting award while your firm was engaged as their auditors. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. Specifically identify those engagements at which the managers and other supervisors who will be assigned to this engagement have worked.

7. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed. Firms will be required to provide the following information on their audit approach:

- a. Proposed timing of the engagement,
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement,
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement,
- d. Extent of use of computer 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 County's internal controls,
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- h. Approach to be taken to cause the least amount of disruption to normal operations.
- i. Ability to use secure file-sharing software.
- j. Estimate the amount of time audit staff will be on-site at the County.

8. 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 County.

C. Dollar Cost

1. Total All-Inclusive Maximum Price

Attachment A must be completed and signed. Attachment A’s price should specify all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price is to include all direct and indirect costs including all out-of-pocket expenses.

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

2. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement in accordance with the firm’s proposal. Interim billings shall cover a period of not less than one calendar month.

VII. EVALUATION PROCEDURES

A. Selection Committee

Proposals submitted will be evaluated by a three member Selection Committee consisting of the County Administrator, County Auditor and County Treasurer/Finance Director. The County Board will make the final decision.

B. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria, which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in Minnesota.

- b. The audit firm's professional personnel have received adequate continuing professional education within the preceding three years.
- c. The firm has no conflict of interest with regard to any other work performed by the firm for the County.
- d. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
- e. The firm submits a copy of its last external quality control review report (peer review), including any letter of comments and the firm has a record of quality audit work.

2. Technical Qualifications

- a. The firm exhibits expertise based on past experience and performance on comparable government engagements.
- b. The firm's demonstrated ability to assist its governmental clients in attaining and retaining the GFOA Certificate of Achievement in Financial Reporting.
- c. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation

3. Price Consideration

Cost will not be the primary factor in the selection of an audit firm.

C. Oral Presentations

During the evaluation process, the Selection Committee may, at its discretion, request any of the firms to make oral presentations. Such presentations will provide a firm with an opportunity to answer any questions the Selection Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

D. Final Selection

The County Board will select a firm based upon the recommendation of the Selection Committee.

It is anticipated that a firm will be selected by November 13, 2018. Following notification of the firm selected, it is expected a contract will be executed between both parties following the November 13, 2018 County Board meeting.

E. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the County and the firm selected.

The County reserves the right, without prejudice, to reject any or all proposals.

ATTACHMENT A

**STEELE COUNTY
AUDITING
SERVICES**

FEE STRUCTURE

	<u>Fiscal Year</u>		
	2018	2019	2020
Annual Financial Report	\$ _____	\$ _____	\$ _____
Single Audit – if req'd	\$ _____	\$ _____	\$ _____
MN Legal Compliance Ltr	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____

FIRM SUBMITTING PROPOSAL:

Signature of Authorized Representative

Title

Name of Authorized Representative

Date