

# **FINANCIAL AUDIT ADVISORY COMMITTEE**

## **Agenda**

**Thursday, June 13, 2013 @ 8:15 AM**

**Room 222, City Hall**

### **Agenda Items**

- Review draft Request for Proposals for an external auditor (current contract ends in December 2013)
- Upcoming Committee and Sub-committee dates

#### **Upcoming Financial Audit Advisory Committee Meeting Dates**

- Thursday, October 10, 2013 @ 8:15 AM
- Thursday, December 5, 2013 @ 8:15 AM

**\*\*DRAFT\*\***

**CITY OF NEWTON, MASSACHUSETTS  
REQUEST FOR COMPETITIVE PROPOSALS  
INDEPENDENT FINANCIAL AUDIT SERVICES**

**Fiscal Years 2014 through 2018**

*This Proposal is exempt from the requirements of Massachusetts General Laws Chapter 30B, Uniform Procurement Law*

The City of Newton, Massachusetts invites qualified public accounting firms, licensed to practice in the Commonwealth of Massachusetts and with prior experience in the municipal financial statement audits of organizations similar to the City of Newton, to submit written fix-fee proposals to conduct the annual financial audit of the year-end Comprehensive Annual Financial Report; audit the City's federal awards; prepare a management letter with recommendations for cost-beneficial improvements in the City's financial reporting and controls over financial reporting ; and to conduct an agreed upon procedure review of the Newton Public School's DOE End of Year Report for the next five fiscal years, in accordance with the specifications summarized below.

The quoted fee shall be all-inclusive for all required services. The City expects to award the contract to the public accounting firm that is most responsible and responsive to the City's requirements and proposes the most reasonable fee structure for the next five year period.

**I INFORMATION FURNISHED TO PROPOSERS:**

**General Information**

The City of Newton has a population of approximately 84,615; occupies a land area of approximately 18.33 square miles; and has a fiscal year 2014 operating budget of \$390.5 million (inclusive of the General Fund; Community Preservation Fund; Stormwater Management Fund; Sanitary Sewer Fund; and Water Fund).

The City is governed under a home-rule charter, which vests executive responsibility with a Mayor, who is elected for a (4) year term. The Mayor currently has two principal deputies – a Chief Financial Officer and a Chief Operating Officer. All Department heads except for the City Clerk/Clerk of the Board and the City Comptroller are appointed by, and serve at the pleasure of the Mayor. Legislative and oversight responsibilities are vested in a (24) member Board of Aldermen, who are elected for (2) year terms. The Board of Aldermen appoints the City Clerk/Clerk of the Board and City Comptroller for (2) year terms.

The senior financial management team of the City consists of the Chief Financial Officer; the Treasurer/Collector; the Director of Assessment Administration; the School Director of Finance; the Chief Procurement Officer; the Director of Financial Information Systems; and the City Comptroller. An (8) member Finance Committee of the Board of Aldermen serves as the principal financial oversight body, and is assisted by a separate Financial Audit Advisory Committee consisting of four members of the Board of Aldermen; one School Committee member; and four Newton residents with financial expertise.

For external financial reporting purposes the City currently reports on (3) major governmental funds and (16) non-major governmental funds; two enterprise funds; (4) internal service funds; and (13) fiduciary funds

In addition to the City, the reporting entity consists of a defined benefit Contributory Retirement System, which had net assets of \$254.2 million at December 31, 2012. A (5) member Retirement Board and two staff members administer the Retirement System. All System assets are invested with the Massachusetts Pension Reserve Investment Trust except for a small real estate limited partnership position and the System's temporarily idle cash, which is held in a separate MMDT account with the State Treasurer. The Board contracts for an annual actuarial valuation of the system's liabilities and strictly follows an approved funding schedule. The Retirement System administrator prepares monthly financial reports for the Retirement Board and the City Comptroller's Office prepares year-end external financial statements and notes for the Retirement System.

The City currently has two discretely presented component units of the reporting entity - the Newton Community Development Authority (formerly the Newton Redevelopment Authority); and the Newton Commonwealth Golf Foundation. The Newton Community Development Authority (NCDA) was created by Chapter 705 of the Acts of 1975 to develop housing programs for low and moderate income families, as well as elderly and handicapped residents of the City. At May 31, 2013, the Authority had assets of \$4.6 million, of which all but \$534,190 related to various housing development, housing rehabilitation, and economic development loans. Beginning in fiscal year 2011 all NCDA activity was brought onto the City's general ledger and is under the control of the City Comptroller.

The Newton Commonwealth Golf Foundation (NCGF) was established in 1982 for purposes of overseeing the administration of the Newton Commonwealth Golf Course. The NCGF contracts with a private management company for the operation and care of the golf course. Newton Commonwealth Golf Foundation financial records are maintained by the Treasurer of the NCGF and the NCGF contracts with a separate certified public accountant for the annual audit of the NCGF's financial statements.

The City has prepared a Comprehensive Annual Financial Report since 1998. The most recent audit of the City of Newton and its component units was for the fiscal year ended June 30, 2012. The public accounting firm of Sullivan, Rogers, and Company completed this audit and all annual audits since 2004. There are no qualifications to the audit opinion.

### **Description of Financial Records**

All City accounting records except for parking ticket receivables are maintained in-house.

The City purchased a fully integrated financial and human resources management information system in 1995 from Pentamation Enterprises, Inc. of Bethlehem, Pennsylvania. The product is currently supported by the SUNGUARD Corporation under the FINANCE PLUS name. The fund accounting; budget preparation; purchasing and requisitioning; and payroll/human resources modules of this system are completely integrated and functioning effectively. These modules are used for all City financial activities, including the disbursement of contributory and non-contributory retirement benefits. Capital asset

accounting is done in a Microsoft Excel workbook and the Treasurer's cashbook is maintained in Quickbooks. Tax and utility billings and detailed receivable records are maintained using MUNIS software, which has been electronically bridged to FINANCE PLUS by City Information Technology Department staff. Retirement system membership and financial accounting is done with software provided by Public Technology Group (PTG).

Pdf copies of all purchase orders; paid vendor invoices; payrolls; cash receipt schedules; and journal entries (with supporting detail) are maintained by the City.

Both City and Retirement system accounts are closed on a monthly basis. Complete budgetary basis financial reports are posted on the Comptroller's page of the City web site on a quarterly and annual basis, and monthly updates are posed for selected purposes, as requested by either executive or legislative branches of City government, or deemed important by the City Comptroller.. Annual budgetary basis financial reports are prepared and issued within 60 days after the end of the fiscal year and all state and federal budgetary basis financial reporting is current. Current City policy is to issue audited external financial reports within six months of fiscal year end, however the City would like to improve the timeliness of external reporting. The June 30, 2012 audited CAFR was issued on November 26, 2012 and it is expected that the City will continue to work to further improve the timeliness of such reporting.

Copies of the City's audited Comprehensive Annual Financial Report, Single Audit Report and Management Letter for June 30, 2012 and for prior years may be down loaded from the City's web-site at <http://www.newtonma.gov/gov/comptroller/audrep.asp> Questions about this report or the condition of the City's accounting and financial reporting records and/or systems should be directed to David Wilkinson, City Comptroller at telephone number (617) 796-1305 or e-mail account [dwilkinson@newton.ma.gov](mailto:dwilkinson@newton.ma.gov).

### **Required Services**

Required services consist of:

1. An independent financial audit of the City's Comprehensive Annual Financial Report and federal awards programs for each of the next five fiscal years. The audit must be conducted in accordance with auditing standards generally accepted in the U.S., Government Auditing Standards promulgated by the Comptroller General of the U.S.; the Single Audit Act Amendments of 1996 and the provisions of OMB Circular A-133.

The audit shall be conducted for purposes of forming an opinion of the financial statements, notes, and required supplementary information, and to determine whether operations were conducted in accordance with all legal and regulatory requirements.

2. Completion of the Massachusetts Department of Education's Report on Applying Agreed –Upon Procedures over compliance Applicable to Massachusetts School Districts' End of Year Pupil and Financial Report for each of the next five fiscal years.
3. Completion of a written management letter, which shall identify any material management weaknesses observed during the course of the annual financial statement audit, an assessment their effect on financial management and reporting; and recommended cost-effective steps to correct or eliminate the weaknesses. It is expected

that all management letter recommendations will be based upon an independent analysis by the auditor that supports the notion that the benefit(s) associated with recommendations will exceed costs associated with implementation. Prior to the completion of the management letter, the auditor shall meet with the Comptroller and the head of each department for which there is a management letter comment and recommendation to review the findings and recommendation in detail. The final copy of the management letter shall contain printed responses from the head of each department or senior management official for which there is a management recommendation, along with a recommended implementation plan.

4. In addition to completing the annual audit, the accounting firm shall be available during normal business hours, throughout the contract period, to provide the City with advice and guidance on financial accounting and reporting issues. The accounting firm will also be expected to keep the City staff informed about requirements of all new accounting and financial reporting pronouncements of the Governmental Accounting Standards Board; the United States Office of Management and Budget; and the Commonwealth of Massachusetts and provide sufficient training to City staff for them to effectively meet their responsibilities under all such new requirements. It is expected that the successful proposer will designate a senior staff member, at the manager or partner level, who will be responsible for responding to City phone calls and e-mail communications within one business day.

All audit work-papers that are the property of the auditors shall be considered public records and shall be retained for a period of time designated by the Commonwealth of Massachusetts's Supervisor of Public Records. Work-papers shall be available for examination or duplication without charge to authorized City personnel, representatives of Federal or State Agencies upon request of that Agency or the City in accordance with Federal Law, State Law and other regulations. Working papers will also be made available for examination, at no charge, or duplication, at a reasonable charge, to subsequent auditors engaged by the City.

Deliverables shall consist of:

1. (50) printed and bound copies of the audited annual Comprehensive Annual Financial Report, including necessary audit opinion letters.
2. (1) unbound copy of the Comprehensive Annual Financial Report.
3. (1) electronic pdf file containing the Comprehensive Annual Financial Report.
4. (50) printed and bound copies of the federal single audit report, including necessary audit opinion letters and (1) pdf copy.
5. (50) printed and bound copies of the annual management letter and (1) pdf copy.
6. (50) printed and bound copies of the Massachusetts Department of Education's Report on Applying Agreed –Upon Procedures over compliance Applicable to Massachusetts School Districts' End of Year Pupil and Financial Report, including necessary opinion letters.

The auditors shall be responsible for distribution of copies of all reports to state and federal regulatory and oversight agencies.

Senior representatives of the firm shall meet at least quarterly with the City's Financial Audit Advisory Committee; conduct an annual audit planning conference with the Comptroller at least one month prior to the start of each audit; shall provide the Comptroller with weekly progress reports during the course of both preliminary and final audit field work; and shall be available to make a formal presentations of the results of the audit to the Finance Committee of the Board of Aldermen, and to the Mayor and/or School Committee, if necessary.

**Timing Considerations**

Qualified public accounting firms wishing to present the City of Newton with a formal proposal for providing independent audit services for the next (5) years should forward (15) copies of their proposal to:

Chief Procurement Officer  
City of Newton  
1000 Commonwealth Avenue  
Newton, Massachusetts 02459

not later than 2:00 P.M. (Eastern Standard Time) on Thursday, January 24, 2014. All proposals must be in a sealed envelope and clearly marked City of Newton Audit Services Proposal.

All proposals will be publicly opened and read aloud at 2:01 P.M. on January 24, 2014. **Any proposals received after 2:00 P.M. will not be accepted.**

Members of the Financial Audit Advisory Committee will interview qualified applicants and will recommend appointment of the independent auditor to the Finance Committee of the Board of Aldermen, who shall make the final recommendation to the Board of Aldermen (the appointing authority for the auditors). The City intends to award the audit services contract to the firm making the lowest responsive and responsible proposal, not later than March 15, 2014.

The City expects the preliminary audit work, including the audit of the Newton Contributory Retirement System, to begin on or about April 1 of each year, and to be completed not later than June 30 of each year. No audit work is to be undertaken during the July 1 to August 15 time frame. The City would expect the audit of the financial statements, notes, and MD&A components of the Comprehensive Annual Financial Report to begin between September 1 and September 15 of each contract year, and that field work would be completed and the final deliverables provided to the City not later than November 30 of each contract year. Presentations of the results of the audit are expected to be made to the Audit Advisory Committee and Finance Committee of the Board of Aldermen not later than December 15 of each contract year.

**City Responsibilities**

The City of Newton will provide the successful accounting firm with the following assistance in the completion of the annual audit:

Copies of the City's Budgetary Basis Annual Financial Report and files used in the preparation of the document.

A budgetary basis trial balance for all general ledger, revenue, and expenditure ledger accounts.

Adjusting journal entries, with supporting documentation, necessary for the preparation of fund financial statements.

Schedules and supporting documentation for the allocation of all expenses necessary for the preparation of government-wide financial statements.

Tables and supporting documentation for note disclosures

MD&A

Schedule of federal financial assistance.

Written confirmation documents for mailing by the accounting firm.

Pdf copies of all necessary records and documents for audit papers, including tax recap sheet; appropriations orders; cash reconciliation; and debt statements. As time permits, the City will also assist in the pulling and filing of invoices and other source documents. Depending upon Comptroller's Office work schedules, there may be times when the accounting firm will have to take responsibilities for these activities.

**Billings**

Progress payments may be billed monthly for actual services rendered to date. The City will not pay more than 2/3 of the annual contract value until the final report is delivered and the final presentation has been made to the Finance Committee of the Board of Aldermen.

**Additional Information**

If it becomes necessary to revise any part of this RFP or otherwise provide additional material information, an addendum will be issued by the City and furnished to all firms that have received a copy of this document.

All proposals become the property of the City of Newton and are subject to disclosure as required by Massachusetts General Laws and the ordinances and regulations of the City of Newton.

The City is not and will not be liable for any cost(s) incurred by in the preparation of responses to this RFP.

The City reserves the right to reject any and all proposals if it is determined to be in the best interests of the City of Newton.

**II INFORMATION TO BE SUPPLIED BY PROPOSERS:**

In order to simplify the evaluation process and obtain maximum comparability, the City requires that all responses to this RFP be organized in the manner described in this section. Any material deviation from this format may result in disqualification of the proposal.

A) Title Page

RFP Title

Name of Proposer

Address and telephone number of proposer

Name of primary contact

Submission date

B) Letter of Transmittal

Briefly state the proposer's understanding of the work to be performed and make a positive commitment to complete all work and deliver all written reports within the specified time frames.

Specify an all inclusive fixed fee for each engagement year, and state that your proposal is valid for a period of (90) days.

The letter must be signed by an individual authorized to contractually bind your firm (please provide written evidence of the authorization).

C) Table of Contents

Include a clear identification of the material by section, and page number. The following sections are required:

D) Professional Experience

Describe your Massachusetts municipal auditing experience during the past five year period. Identify the specific partner, and staff that will be assigned to this engagement and provide copies of the resumes of each.

Provide a description of your firm's municipal auditing continuing education program.

Describe the professional quality control program employed by your firm for municipal audits. Please include a copy of the results of the last professional peer evaluation of your firm.

Provide the name, address, and telephone number of at least (3) Massachusetts municipal audit client references in organizations of similar size and complexity as the City of Newton that the City can contact.



Provide evidence of staff experience in federal A-133 audits.

E) Audit Approach

State the proposer's understanding of the services to be performed and the work products to be delivered.

Submit a detailed work plan, including time estimates and staffing requirements for each major component of the engagement. Please include a brief description of the specific audit procedures that you anticipate using in each segment of the audit (cash; revenue; expenditures; etc.).

Provide a description of the additional services that your firm would be willing to provide to the City, in connection with the audit, but at no additional cost, including a description of the process that will be used to provide City staff with continuing education and training on new financial reporting requirements of the Governmental Accountings Standards Board.

F) Compensation

State the estimated number of hours, which you expect to commit, by staff level, for each component of the engagement, by year.

The proposal must include an annual, all-inclusive fixed fee for each engagement year.

**Comprehensive Annual Financial Report – City of Newton**

Fiscal Year Ended June 30, 2014	_____
Fiscal Year Ended June 30, 2015	_____
Fiscal Year Ended June 30, 2016	_____
Fiscal Year Ended June 30, 2017	_____
Fiscal Year Ended June 30, 2018	_____

**Federal Single Audit Report**

Fiscal Year Ended June 30, 2014	_____
Fiscal Year Ended June 30, 2015	_____
Fiscal Year Ended June 30, 2016	_____
Fiscal Year Ended June 30, 2017	_____
Fiscal Year Ended June 30, 2018	_____

**Department of Education Year-End Pupil and Financial Report Compliance Review Report**

Fiscal Year Ended June 30, 2014	_____
Fiscal Year Ended June 30, 2004	_____
Fiscal Year Ended June 30, 2005	_____
Fiscal Year Ended June 30, 2006	_____
Fiscal Year Ended June 30, 2007	_____

G) Additional Information

Please provide any additional information, not specifically requested, but which you believe would be useful to the City in evaluating your proposal. We would appreciate any comments or observations that you might have about specific improvements which you would recommend in the City's budgetary basis and/or external financial reporting.

**EQUAL OPPORTUNITY AND LOCAL OPPORTUNITIES PROVISIONS**

The work covered by this RFP is assisted by Federal funds under Title I of the Housing and Community Development Act of 1974, as amended, and is subject to the provisions listed below. Respondents understand and agree to adhere to the following provisions, including filing, reporting and workforce statements, as applicable.

**EQUAL OPPORTUNITY**

Title VI, Civil Rights Act of 1964, as amended

Section 109, Housing and Community Development Act of 1974, as amended

Title VIII, Civil Rights Act of 1968, as amended.

Executive Order # 11063

Executive Order # 11246

***The City of Newton is an Equal Opportunity Contractor***