



REQUEST FOR PROPOSALS

PROFESSIONAL AUDIT SERVICES

**Due Date for Proposals:
5:00 p.m., Monday, March 7, 2022**

**CITY OF LA PALMA
REQUEST FOR PROPOSAL
PROFESSIONAL AUDITING SERVICES
FEBRUARY 7, 2022**

I. INTRODUCTION

The City of La Palma (City) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for three (3) fiscal years beginning with the fiscal year ending June 30, 2022, with the option of auditing its financial statements for each of the two subsequent fiscal years, in addition to performing other reviews as specified herein. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States, and the U.S. Office of Management and Budget (OMB) Uniform Grant Guidance/Super Circular Audits of State and Local Governments and Non-Profit Organizations as well as other applicable laws regulations and rules. Because of the Federal Stimulus in the American Rescue Plan, the City will have a Single Audit for Fiscal Years 20/21 (not yet completed) and 21/22.

A. Summary: Term of Engagement and Proposal/Evaluation Process

The City intends to contract for the services presented herein for a term of three (3) years. The City reserves the right to extend the term of this contract for two (2) additional one-year terms at the sole discretion of the City. The proposal package shall present all-inclusive audit fees for each year of the contract term, including the two optional years.

To be considered, five (5) copies of the proposal along with one electronic copy of the proposal must be received no later than 5:00 p.m., March 7, 2022, at the address listed below:

Ryan Hallett Hinton
Assistant to the City Manager
City of La Palma
7822 Walker Street
La Palma, CA 90623

All inquiries, technical or otherwise, regarding this proposal process should be directed to Ryan Hallett Hinton, Assistant to the City Manager, at the address listed above or at ryanh@cityoflapalma.org. **Contact with personnel of the City other than the above regarding this request for proposal may be grounds for elimination from the selection process.**

During the evaluation process, the City reserves the right, where it may serve the City's best interest, to request additional information or clarification from proposers, or to allow corrections of errors or omissions. At the discretion of the City, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

It is anticipated that the selection process will be completed by March 24, 2022. Following the notification of the selected firm and Council approval, it is expected that a contract will be executed between both parties by April 5, 2022.

B. Other Information

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Proposals will be accepted only from parties that are free from all obligations and interests that might conflict with the best interest of the City and are able to provide services on a timely basis in accordance with the timetable listed herein.

Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et seq.), unless exempt.

The City 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 proposal, unless clearly and specifically noted in the submitted proposal and confirmed in the contract between the City and the firm selected.

The City reserves the right to make such changes in the Request for Proposal as it may deem appropriate. Any changes in the Request for Proposal shall be made by a written addendum, which shall be issued by the City to all prospective firms who have been issued a copy of the Request for Proposal or who have notified the City that a copy of the Request for Proposal has been obtained.

If the evaluation of any proposal indicates minor non-compliance or variance with the Request for Proposal, the City may, but need not, make written request to the firm for a supplement to the submitted proposal. Such request will attempt to identify the non-compliance or variance, and will establish a date in which the firm may submit a supplement to the Request for Proposal. If so requested, the firm may submit a supplement to the Request for Proposal responsive to such request, within the time period established, which the City would evaluate in conjunction with the Request for Proposal. Any supplement to the Request for Proposal will be deemed an integral part of the firm's submittal.

There are no known exceptions to accounting principles generally accepted in the United States or other material accounting problems. The City acknowledges that City management is responsible for the reliability, accuracy, and completeness of financial presentations.

II. GENERAL INFORMATION

A. The City of La Palma

The City of La Palma was incorporated on October 26, 1955 as a general law city governed by an elected five-member city council. The City has a population of approximately 16,000 and is predominantly a residential community consisting of primarily single-family homes. La Palma is located about 30 miles southeast of Los Angeles, with a land area of 2 square miles.

B. Organizational Structure

The City has a Council-Manager form of government with five members on the City Council. The City has approximately 53 full-time employees and 30 part-time employees.

The City provides the following services to its residents: police protection, parks, maintenance of streets and infrastructure, planning and zoning, building and engineering, recreational activities and cultural events, and general administration. Enterprise operations include water utility and sewer services. The City contracts the utility billing services with an outside vendor. However, the City provides utility customer service functions. Fire and library services are provided by the County of Orange.

The City of La Palma includes no component units. The City is the Successor Agency for the former La Palma Community Development Commission; the Successor Agency is included in the financial statements as a Private Purpose Trust Fund. Although the City has historically has received only a minimal amount of federal grant monies in which a Single Audit has not been required, this may not be the case in future fiscal years.

The City's 2021-22 expenditure budget for all funds combined is approximately \$25.8 million.

C. Fund Structure

For the 2020-21 ACFR, the City reported the following fund types:

- General Fund (3 combined funds)
- Special Revenue Funds (9 individual funds)
- Capital Projects Funds (2 combined funds)
- Enterprise Funds (4 funds combined into two enterprise activities)
- Internal Service Funds (5 individual funds)

Fiduciary Funds:

Agency (1 individual fund)

Successor Agency Private Purpose Trust Fund (1 individual fund)

D. Accounting System

The City's financial records are maintained by the Finance Department. The accounting records are currently computerized on a PC network utilizing Tyler Technology Incode 10 computer software. The City uses two bank accounts through which most of the banking activities flow. The City issues approximately 3,500 checks, excluding payroll, per year.

E. Availability of Annual Financial Reports

The City's Annual Comprehensive Financial Reports (ACFR) are available on the City's website at www.cityoflapalma.org.

F. Workspace and Equipment

The City will provide the auditor with reasonable workspace, desks, and chairs. The auditor will also be provided with access to a telephone, a printer, an internet connection, and photocopying machines.

G. Name of City Contact for Audit Work

The auditor's principal contact with the City will be Ryan Hallett Hinton, Assistant to the City Manager; Mr. Hallett Hinton will coordinate the day-to-day assistance to be provided by the City to the auditor.

H. Accounting Division and Clerical Assistance

The Accounting Division of the Administrative Services Department 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 City, with the assistance of the auditor. City staff will assist the auditors in identifying and locating supporting documentation.

I. Professional Services Agreement

The selected consultant will be required to sign an Agreement for Professional Audit Services with the City (Attachment A).

III. NATURE OF SERVICES REQUIRED

A. Scope of the Work to be Performed

The City desires a Annual Comprehensive Financial Report (ACFR) to be prepared and audited by the independent auditor for the fiscal year ended June 30, 2022, and each of the subsequent years included in the audit firm's contract with the City. The City submits the ACFR to the Government Finance Officers' Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting Program.

The selected independent auditor will be required to perform the following tasks. Any exceptions to these requirements should be clearly indicated in the proposal.

1. The audit firm will perform an audit of all funds of the City. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States. **The City's ACFR will be prepared and word processed by the audit firm.** The audit firm will render their auditors' report on the basic financial statements, which will include both Government-wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the City.

The transmittal letter, management's discussion and analysis, and statistical sections will be prepared by the City and will be provided in electronic format to the auditors for inclusion in the City's ACFR.

2. When required, the audit firm will prepare and perform a single audit on the expenditures of federal grants in accordance with U.S. Office of Management and Budget (OMB) Grant Guidance/Super Circular and render the appropriate audit reports on the Internal Control over Financial Reporting based upon the audit of the City's financial statements in accordance with Government Auditing Standards and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards. The single audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings, and questioned costs, including reportable conditions and materials and weaknesses, and follow up on prior audit findings where required.
3. The audit firm shall perform agreed-upon procedures pertaining to the City's Article XIII B Limit (Appropriations Limit) and render a letter annually to the City regarding compliance.

4. The audit firm shall prepare the City's GASB 68 pension calculations and journal entries. The City shall provide the auditor with the appropriate reports from CalPERS to perform the calculations. If the auditor chooses not to include this service, please express this openly in the proposal. Any cost associated with performing the GASB 68 pension calculation should be clearly set apart from all other audit services.
5. The auditors shall observe the adequacy of the systems of internal control, accounting procedures and other significant observations. The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures, and other significant observations that are considered non-reportable conditions. Management letters shall be addressed to the City Manager and the Assistant to the City Manager.
6. The audit firm may be consulted throughout the year as an information resource and may be asked to provide guidance on implementing Federal and State regulations as they may affect local government accounting. This would not include any task that entails significant research or a formal report.
7. It is expected that the selected firm will keep the City informed of new guidance and developments that may affect municipal accounting and finance.
8. Meetings shall be conducted prior to the commencement of fieldwork at the beginning of the audit and after the first draft of the financial statements have been prepared. The meetings shall be attended by the engagement partner or designated professional staff and City staff.
9. The firm shall be available to the City Council and management to answer questions related to audit findings.
10. Management is not aware of any unusual circumstances warranting an extended scope; however, if in due course of the examination evidence of such circumstances occurs, the auditors shall agree to provide the City with all ascertainable facts relative to such circumstances together with an estimate of additional services required and the additional cost thereof in order that proper contract modifications may be completed before commencing with such extended examination.

B. Auditing Standards to be Followed

To meet the requirements of this Request for Proposal, the audit shall be performed in accordance with:

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;
2. The standards applicable to financial audits contained in the most recent version of *Government Auditing Standards*, issued by the Comptroller General of the United States;
3. The provisions of the Single Audit Act as amended; and
4. The provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*.
5. Any other applicable standards for conducting examinations of those items outlined in the Scope of Services and /or reports to be issued in conjunction therewith outlined in the section Reports to be issued.

C. Working Paper Retention

All working papers and reports must be retained at the auditor's expense for a minimum of seven (7) years, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available to the City or any government agencies included in the audit of federal grants. 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.

D. Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties: City Manager and City Attorney.

IV. COORDINATION REQUIRED

- A. All audit work will be coordinated with Mr. Ryan Hallett Hinton, Assistant to the City Manager, to facilitate staff scheduling and year-end closing.
- B. The auditor shall provide the Assistant to the City Manager with periodic progress reports while performing the audit fieldwork. These reports shall identify problems encountered or foreseen, deficiencies in work performed by City staff, disagreements over the application of accounting principles, and other items that could result in delay of the audit work or additional work.
- C. The City expects that the professional staff provided by the independent audit firm will be fully qualified with the appropriate experience, and that answers and guidance will be provided by audit executives to senior and junior staff.

V. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates, including the date proposals are to be submitted:

February 7, 2022	Request for Proposal Issued
March 7, 2022	Due date for proposals (5:00 pm local time)
March 15, 2022	Oral interviews of selected audit firms
March 24, 2022	Selection process completion date
April 5, 2022	Recommendation to City Council

B. Audit Schedule

The planning phase of the audit engagement may commence upon award by City Council and execution of the contract. The auditor shall provide the City with an audit plan and list of schedules to be prepared by City personnel prior to the beginning of fieldwork. Interim fieldwork will be expected to be performed in May or June with the final phase of fieldwork commencing in September each year. The City plans to have the books closed and all agreed-upon schedules available for the auditors by mid-September, approximately September 20 each year.

C. Annual Report Due Dates

November 15	Draft reports due (ACFR, Management Letter, Appropriations Limit Report, Single Audit)
December 15	Final reports due (ACFR, Management Letter, Appropriations Limit Report, Single Audit)

VI. PROPOSAL AND SUBMISSION REQUIREMENTS

A. General Requirements

1. Five (5) copies of proposals along with one electronic copy of the proposal must be submitted to the City by 5:00 p.m. on March 7, 2022.
2. Proposals will be accepted only from parties that are free of all obligations and interest that might conflict with the best interest of the City.
3. The proposal of the successful firm shall be incorporated as part of the contract.
4. All inquiries, technical or otherwise, regarding this proposal process should be directed to:

Ryan Hallett Hinton
Assistant to the City Manager
7822 Walker Street
La Palma, CA 90623
ryanh@cityoflapalma.org

Contact with personnel of the City other than the above regarding this request for proposal may be grounds for elimination from the selection process.

B. Proposal Format

To achieve a uniform review process and obtain the maximum degree of comparability, proposals shall be organized in the following manner:

1. Title Page

Show the Request for Proposal subject, the name of your firm, local address, telephone number, name of contact person, alternate contact person, e-mail address(es) and the proposal date.

2. Table of Contents

Clearly identify the material by section and page number.

3. Signed Letter of Transmittal

Briefly state 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; a statement that the proposal is a firm and irrevocable offer to fiscal years 2021-22, 2022-23, and 2023-24; and signed by the person authorized to represent the audit firm.

4. Contents of the Proposal

The purpose of the proposal is to demonstrate the qualifications, competence, and capacity of the firm seeking to undertake an independent audit of the City in conformity with the requirements of this Request for Proposal. As such, the substance of proposals will carry more weight than the form or manner of presentation. The proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposal requirements.

The proposal should address all points outlined in the Request for Proposal. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements. While additional data may be presented, the following subjects must be included. They represent the criteria against which the proposal will be evaluated.

a. License to Practice in California

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

b. Independence

The firm should provide an affirmative statement that it is independent of the City of La Palma as defined by auditing standards generally accepted in the United States of America and the General Accounting Office's *Government Auditing Standards*.

The firm should also list and describe the firm's professional relationship involving the City for the past five (5) years, together with a statement explaining why such relationship does not constitute a conflict of interest relative to performing the proposed audit.

c. Firm Qualifications and Experience

To qualify, the firm must have extensive experience in governmental audits of cities in the State of California, as well as experience with preparation of Comprehensive Annual Financial Reports.

1. State whether your audit organization is national, regional or local and indicate the location of the office that has responsibility for the audit.
2. Indicate the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis. Staff consistency is an important consideration.
3. Describe specialized audit services that the firm has provided for municipalities, such as transient occupancy tax audits, business license audits and franchise fee audits, etc.
4. Describe the firm's formal education programs in the area of municipal accounting and auditing which are available to clients.

5. Submit a copy of the report on its most recent external quality control review (peer review), with a statement whether that quality control review included a review of specific government engagements (required by Government Audit Standards).
6. Provide information on the results of any Federal or State desk reviews or field reviews of its audits during the past three (3) years. In addition, provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with State regulatory bodies or professional organizations.

d. 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 this engagement. Include resumes, indicating whether each such person is registered or licensed to practice as a certified public accountant in California. Provide information on the 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.

All supervisory and managerial personnel assigned to the engagement, including the person in charge of the daily fieldwork, must have appropriate significant local government audit experience. The field staff assigned to the City must include one person with at least two years of audit experience, including local government audit experience.

Provide as much information as possible regarding the number, qualifications, experience, and training including relevant continuing education of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

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 City. In all instances, **the City retains the right to approve or reject replacements.**

Other audit personnel may be changed at the discretion of the proposer, provided that replacements have substantially the same or better qualifications or experience.

e. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last five (5) years that are similar to the engagement described herein. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. Information should be provided regarding clients that the firm serves that have received the GFOA award.

The City reserves the right to contact any or all of the listed references regarding the audit services performed by the proposer. In addition, the City reserves the right to contact clients who are not listed as references.

f. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the required services as stated within this Request for Proposal. In developing the work plan, reference should be made to such sources of information as the City's budget and related materials, organizational charts, manuals, programs, and financial and other management information systems. Proposers are required to provide the following information on their audit approach:

1. Proposed segmentation for the engagement;
2. Level of staff and number of hours to be assigned to each proposed segment of the engagement;
3. Sample size and the extent to which statistical sampling is to be used in this engagement;
4. Extent of the use of electronic data processing software in this engagement;
5. Type and extent of analytical procedures to be used in this engagement;
6. Approach to be taken to gain and document an understanding of the City's internal control structure;
7. Approach to be taken in determining laws and regulations that will be subject to audit testwork and;
8. Approach to be taken in drawing audit samples for purposes of tests of compliance.

g. Other Information to Include

1. Why should La Palma consider hiring your firm?

2. What priority will your firm give La Palma on this engagement?

5. Fees

The proposal should contain all pricing information relative to performing the audit engagement as described herein. The total all-inclusive maximum price bid is to contain all direct and indirect costs including all out-of-pocket expenses. All expenses, including typing, clerical, printing, and binding costs should be included in the total audit fee. The City is not responsible for expenses incurred in preparing and submitting the proposal. Such costs should not be included in the proposal.

The fee should be allocated to the various required reports of the audit (ACFR and related reports and management letter, Appropriations Limit Report, and Single Audit Report) with a maximum annual fee for each of the three fiscal years ending June 30, 2022 through 2024 along with a maximum annual fee for each of the optional two subsequent fiscal years. Fees related to a Single Audit will be paid only in years in which a Single Audit is required. For fiscal year 21/22, the City is required to have a Single Audit.

The proposal shall also include a schedule of hourly rates of professional staff by classification and the anticipated distribution of hours per staff classification.

6. Fee Adjustment for Scope Change

The proposal should show how cost increases or decreases would be calculated, should the City subsequently request an adjustment in the scope of the audit.

VII. INDEMNIFICATION AND INSURANCE REQUIREMENTS

Audit firm agrees to protect, indemnify, and hold harmless the City and its officers, officials, employees, and agents from and against all claims, demands, and causes of action by consultant's employees or third parties on account of personal injuries or death or on account of property damages arising out of the work to be performed by consultant hereunder and resulting from the negligent act or omissions of consultant, consultant's agents, employees, or subcontractors.

A. Without limiting Auditor's indemnification, it is agreed that the Auditor shall procure and maintain for the duration of the contract, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the audit firm, its agents, representatives, or employees. The audit firm shall maintain in force at all times during the performance of the engagement the following policy or policies of insurance covering its operations:

1. Comprehensive General Liability, including contractual liability, business automobile liability, and products and completed operations, all of which shall include coverage for both bodily injury, personal injury, and property damage, with a combined single limit of **\$1,000,000 per occurrence**.
2. Automobile Liability: **\$1,000,000 per occurrence** for bodily injury and property damage.
3. Errors and Omissions Liability/Professional Liability: **\$1,000,000 per occurrence**.
4. Workers' compensation coverage at **statutory limits per the requirements of the State of California**.

Any deductibles or self-insured retention levels must be declared to and approved by the City.

B. Auditor's general liability and automobile liability insurance policies shall contain the following clauses:

1. The City, its officers, officials, employees and volunteers are to be covered as insureds as respects: liability arising out of activities performed by or on behalf of the audit firm; products and completed operations of the consultant; premises owned, occupied or used by the audit firm; or automobiles owned, leased, hired or borrowed by the audit firm. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, employees or volunteers.
2. For any claims related to the work described herein, the audit firm's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees or volunteers shall be excess of the audit firm's insurance and shall not contribute with it.
3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, has been given to the City.

C. Insurance is to be placed with insurers which are "admitted" in the State of California and have a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City.

Audit firm shall furnish the City with original endorsements effecting coverage required by this clause. The endorsements are to be on forms provided by the

City. All endorsements are to be received and approved by the City before work commences.

VIII. EVALUATION OF PROPOSALS

Proposals will be evaluated by a selection committee consisting of individuals from the City and/or external agencies.

A. Evaluation Criteria

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in California.
- b. The firm has no conflict of interest with regard to any of the work performed by the firm for the City.
- c. The firm adheres to the instruction in this Request for Proposal on preparing and submitting the proposal.
- d. The firm submits a copy of its last external quality control review report, and the firm has a record of quality audit work.
- e. The firm includes a response which clearly states the understanding of the work to be performed.

2. Technical Quality

a. Expertise and Experience

- i. The firm's past experience and performance on comparable government engagements.
- ii. The technical qualifications and experience of staff proposed to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
- iii. The firm's past experience in meeting GFOA requirements to receive the ACFR award.
- iv. Experience in providing on-going financial consulting services to municipalities.
- v. Firm's past experience and performance with Successor Agencies.

- vi. The reputation of the firms based on current and prior clients contacted by the City.

b. Audit Approach

- i. Adequacy of proposed staffing plan for various segments of the engagement.
- ii. Thoroughness of approach to conducting the audit of the City and demonstration of the understanding of the objectives and scope of the audit.
- iii. Adequacy of analytical procedures and sampling techniques.
- iv. Commitment to timeliness in the conduct of the audit.
- v. The anticipated support requirements of City staff.

3. Cost

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

B. Selection Process

All proposals will be evaluated by the Selection Committee using the above criteria. After the top candidates have been selected using this criteria, oral interviews may be arranged to assist in making the final decision. If held, oral interviews will be conducted by the Selection Committee and/or members of the City Council. If conducted, it would be desirable that senior audit staff be present for the interview. Not all firms may be asked to participate in an oral interview.

Selection of the successful proposal will be at the sole direction of the City Council. All firms will be notified of the Council's selection following the award of the contract. The successful proposer shall provide all documents required by the agreement (including insurance certificates) in order to fully execute the contract.

C. Right to Reject Proposals

The City reserves the right without prejudice to reject any or all proposals, and to accept the proposal most favorable to the City's interest and the right to waive irregularities in the procedures described in the Request for Proposal. Furthermore, the City reserves the right to reject the proposal of any proposer who previously failed to perform properly, or complete on time, agreements of a similar nature, or to reject the proposal of a proposer who is not in a position to perform such an agreement satisfactorily.

The City reserves the right to waive any informality or technical defect in a proposal and to accept or reject, in whole or in part, any or all proposals and to advertise for new proposals, as best serves the interest of the City.

The City also reserves the right to make such investigations as it deems necessary to determine the ability of the proposer to perform the work and the proposer shall furnish to the City all such information and data for this purpose as the City may request. The City reserves the right to reject any proposal if the evidence submitted by, or investigation of such proposer, fails to satisfy the City that such proposer is properly qualified to carry out the obligations of the contract and to complete the work contemplated therein.

IX. ADDITIONAL INFORMATION

- A. The City will not be liable for any cost incurred in preparing proposals or associated travel costs.
- B. The City reserves the right to request such additional information as the City may reasonably require for evaluation purposes. The City also reserves the right to conduct pre-contract negotiations with any or all potential firms.
- C. The submission of a proposal shall be evidence that the firm has full knowledge of the scope, nature, quantity and quality of work to be performed, the detailed requirements of the specifications and the conditions under which the work is to be performed.
- D. If the selected certified public accounting firm does not execute an agreement with the City within fourteen (14) days after notification of selection, the City may give notice to that firm of the City's intent to select from the remaining firms or to call for new proposals, whichever the City deems appropriate.
- E. The total audit staffing should be at a level sufficient to complete the audit in the time scheduled and specified in the Request for Proposal. In addition, the audit staff should remain constant through each year's audit process. At least one staff member from the prior year's audit is to be a member of the subsequent year's audit team.
- F. The auditors shall comply with the provisions of any and all Federal, State, County and City orders, statutes, ordinances, bond covenants, administrative codes and orders, rules and regulations that may pertain to the work required in the engagement.
- G. It is expected that the firm chosen will make itself available for additional projects that may be necessary from time to time. Separate fees will be negotiated for each project.

- H. Compensation for the auditing services will be paid upon submission of progress billings. A final billing will be paid after receiving the required reports.
- I. It is mutually understood and agreed that the successful bidder shall not assign, transfer, convey, sublet or otherwise dispose of the contract or the right, title, or interest therein, or the power to execute such contract, to any other person, company or corporation without prior written consent of the City Manager.
- J. After the award of the contract has been made by the City Council, all findings and information considered in determining which proposal best meets the needs of the City and will be most advantageous with respect to price, conformity to the specifications and other factors, will be available for public inspection.
- K. Causes for termination of the contract may include the following: failure to promptly and faithfully provide the services required in this Request for Proposal; failure to cooperate upon receiving any reasonable request for information for service; and improper actions of the firm's officers or employees. The City retains the right to cancel this agreement without cause by providing written notification.

ATTACHMENT A

AGREEMENT FOR PROFESSIONAL AUDIT SERVICES

**AGREEMENT FOR PROFESSIONAL AUDIT SERVICES
[COMPANY NAME]**

THIS AGREEMENT FOR PROFESSIONAL AUDIT SERVICES (hereinafter, the "Agreement"), entered into as of **April 6, 2022**, by and between the CITY OF LA PALMA, a municipal corporation (hereinafter, the "City"), and [COMPANY NAME], a corporation (hereinafter, the "Auditor"). The Auditor and the City are hereafter together referred to as the "Parties" and each individually as a "Party."

RECITALS

A. The City requires the services of, and desires to retain, an Auditor to perform the services set forth and described in the Scope of Work attached hereto as Exhibit "A" and incorporated herein by this reference (hereinafter, the "Auditor Services"). Exhibit "A" includes the Request for Proposals and the Auditor's proposal. In the event the Request for Proposals and the Auditor's proposal have different terms, the Request for Proposals terms shall be deemed correct.

B. By virtue of the Auditor's expertise, experience, and background, the Auditor is qualified to perform the Auditor Services for and on behalf of the City.

C. The City and the Auditor mutually desire to enter into this Agreement for the provision of the Auditing Services by the Auditor for and on behalf of the City, in accordance with the terms and conditions set forth herein.

EXECUTORY AGREEMENTS

NOW, THEREFORE, in consideration of the facts recited above and the covenants, conditions, and promises contained herein, the City and the Auditor mutually agree as follows:

SECTION ONE: RETENTION AND DUTIES OF AUDITOR

1.1 The City hereby retains the Auditor, and the Auditor accepts this retention from the City, to perform the Auditing Services as set forth in the Scope of Work attached hereto as Exhibit "A".

1.2 The Auditor shall perform all services set forth in the Scope of Work in a competent and professional manner, and shall complete all such work, and each component thereof, within the time periods set forth in the Scope of Work.

1.3 In the performance of the Auditing Services, the Auditor shall report to and receive instructions from the Assistant to the City Manager of the City. Tasks or services other than those specifically described in the Scope of Work shall not be performed without the prior written approval of the Assistant to the City Manager. If the City changes the scope of the Auditing Services to be performed by the Auditor, or if the Auditor is requested to perform services not specifically described in the Scope of Work, the Auditor shall perform such services as are

necessary to complete the work, and compensation for the work performed shall be paid by the City in accordance with the Budget and Fee Schedule attached hereto as Exhibit "B" and incorporated herein by this reference, or as otherwise may be agreed in writing by the City and the Auditor.

1.4 The Auditor shall not subcontract the performance of any of the Auditor Services without the prior written approval of the City.

1.5 The Auditor agrees that the following person shall be the project manager on behalf of the Auditor under this Agreement, and shall be principally responsible for performing the Auditor Services:

[PROJECT MANAGER]

Notwithstanding the foregoing, the parties acknowledge that persons other than the above-designated project manager of the Auditor may perform tasks or services under this Agreement if the performance of such tasks or services is under the supervision and control of the Auditor's project manager. The Auditor shall not alter the assignment of the above-designated project manager without the prior written approval of the Assistant to the City Manager.

1.6 The City reserves and has the right and privileges, at its sole discretion and with or without cause at any time during the term of this Agreement, of suspending, canceling or terminating this Agreement or any work in connection with this Agreement. In the event of termination, all finished or unfinished data, studies, maps, reports, and other items prepared by the Auditor shall become the property of the City, and the Auditor shall promptly deliver such items to the City. In the event of termination, the City shall pay the Auditor for all authorized services performed and for all authorized and invoiced expenses incurred up to the date of termination of this Agreement, on a time and materials basis in accordance with the Budget and Fee Schedule attached hereto as Exhibit "B".

SECTION TWO: COMPENSATION TO AUDITOR

2.1 The City shall pay to the Auditor for the performance of the Auditing Services compensation in accordance with the Budget and Fee Schedule attached hereto as Exhibit "B".

2.2 The Auditor shall invoice the City on a monthly basis for all work performed by the Auditor under this Agreement. Invoices shall include billings for all charges, including authorized direct costs incurred by the Auditor during the month covered by the invoice. All charges for labor or professional services shall describe with specificity the services rendered and shall set forth the number of hours worked and hourly rates in accordance with the Budget and Fee Schedule. Within thirty (30) days of receipt of an invoice, and upon determination by the City that the invoice is in order and that the Auditor has performed all requested or required services in a timely and competent manner, the City shall pay such invoice.

2.3 The Auditor shall maintain records on all services for and charges to the City under this Agreement for a period of not less than twenty-four (24) months after the completion or

termination of this Agreement, and make such records available for review and audit if requested by the City at any time during the term, or within twenty-four (24) months of the completion or termination, of this Agreement.

SECTION THREE: LEGAL RESPONSIBILITIES

3.1 The Auditor shall keep fully informed of all Federal and State laws and regional, county, and municipal ordinances and regulations which may in any manner affect those employed by the Auditor or the performance by the Auditor of any tasks or services for or on behalf of the City. The Auditor shall at all times observe and comply with all such laws, ordinances, and regulations, and shall be responsible for the compliance therewith of all work and services performed by the Auditor by or on behalf of the City.

3.2 The Auditor is retained as an independent contractor only, for the sole purpose of rendering those professional services set forth in Exhibit "A" hereto or otherwise requested by the City, and is not an employee of the City. The City shall have the right to control the Auditor only as to results of the Auditor's services rendered pursuant to this Agreement, and the City shall not have the right to control the means by which the Auditor accomplishes the services performed under this Agreement.

3.3 The Auditor shall not discriminate against any employee or applicant for employment because of race, religion, sex, age, marital status, or national origin.

3.4 All proprietary information developed by the Auditor in connection with, or resulting from, this Agreement, including but not limited to inventions, discoveries, improvements, copyrights, patents, maps, reports, textual material, or software programs, shall be the sole and exclusive property of the City. The Auditor agrees that the compensation to be paid pursuant to this Agreement includes adequate and sufficient compensation for any proprietary information developed in connection with or resulting from the performance of the Auditor Services under this Agreement. The Auditor further understands and agrees that full disclosure of all proprietary information developed in connection with, or resulting from, the performance of services by the Auditor under this Agreement shall be made to the City, and that the Auditor shall do all things necessary and proper to perfect and maintain ownership of such proprietary information by the City.

3.5 The Auditor agrees to perform all work to the reasonable satisfaction of the City. If the services performed under this Agreement are not satisfactory, the City has the right to take appropriate action, including but not limited to: (1) meeting with the Auditor, its agents or subcontractors to review the quality of the work and resolve matters of concern; (2) requiring the Auditor to have the work repeated at no additional fee until it is satisfactory; (3) withholding payment of City's compensation to the Auditor for any unsatisfactory work performed; (4) terminating this Agreement.

3.6 The Auditor shall assume all costs arising from the use of patented or copyrighted materials, including but not limited to equipment, devices, processes, and software programs, used or incorporated in the services or work performed by the Auditor under this Agreement. The

Auditor shall indemnify, defend, and hold the City harmless from any and all suits, actions, or proceedings of every nature for or on account of the use of any patented or copyrighted materials.

3.7 Any time period specified in this Agreement for performance of services shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the City or the Auditor, including, but not restricted to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, litigation, and/or acts of any governmental agency, including the City, if the delaying Party shall within ten (10) days of the commencement of such delay notify the other Party in writing of the causes of the delay. If the Auditor is the delaying Party, the City shall ascertain the facts and the extent of delay, and extend the time for performing the services for the period of the enforced delay when and if in the judgment of the City such delay is justified. The City's determination shall be final and conclusive upon the parties to this Agreement. In no event shall the Auditor be entitled to recover damages against the City for any delay in the performance of this Agreement, however caused. The Auditor's sole remedy shall be extension of this Agreement pursuant to this section.

3.8 The parties mutually acknowledge that the City has retained Auditor to perform the tasks and services set forth in this Agreement based upon the special skills, expertise, and experience of Auditor. Accordingly, in performing the tasks and services under this Agreement, Auditor shall use the skill and care that a highly specialized professional with significant expertise in the field, would use under similar circumstances. Further, the parties mutually agree that, to the extent that Auditor retains sub-Auditors or subcontractors to perform any portion of any of the tasks or services under this Agreement, Auditor has a duty to the City to ensure that the tasks and services performed by such sub-Auditors and subcontractors meet the same highly specialized professional level, skill, and expertise expected of Auditor.

3.8.1 Except as set forth in subdivision 3.8.2, Auditor shall indemnify, defend (with legal counsel acceptable to the City), and hold harmless the City, its officials, officers, and employees ("City Personnel") from and against any and all actions, suits, claims, demands, judgments, attorneys fees, costs, damages to persons or property, losses penalties, obligations, expenses, or liabilities ("Claims") that may be asserted or claimed by any person or entity arising out of Auditor's performance of any tasks or services for or on behalf of the City, whether or not there is concurrent active or passive negligence on the part of the City and/or any City Personnel, but excluding any Claims arising from the sole negligence or willful misconduct of City or any City Personnel.

3.8.2 The provisions of this subdivision 3.8.2 apply only in the event that Auditor is a "design professional" within the meaning of the California Civil Code Section 2782.8(c). If Auditor is a "design professional" within the meaning of Section 2782.8(c), then notwithstanding subdivision 3.8.1 above, to the fullest extent permitted by law (including, without limitation, Civil Code Sections 2782 and 2782.6), Auditor shall defend (with legal counsel reasonably acceptable to the City), indemnify, and hold harmless the City and City Personnel from and against any Claim that arises out of, pertains to, or relates to, directly or indirectly, in whole or in part, the negligence, recklessness, or willful misconduct of Auditor, any sub-Auditor, subcontractor, or any other person directly or indirectly employed by them, or any person that any of them control, arising out of

Auditor's performance of any task or service for or on behalf of the City under this Agreement. Such obligations to defend, hold harmless, and indemnify the City or any City Personnel, shall not apply to the extent that such Claims are caused in part by the sole active negligence or willful misconduct of the City or such City Personnel. Auditor's cost to defend City and/or City personnel against any such Claim shall not exceed Auditor's proportionate percentage of fault with respect to that Claim; however, pursuant to Civil Code section 2782.8(a), in the event that one or more defendants is unable to pay its share of defense costs due to bankruptcy or dissolution of the business, Auditor shall meet and confer with City (and, if applicable, other parties) regarding any unpaid defense costs. To the extent Auditor has a duty to indemnify the City or any City Personnel under this subdivision (b), Auditor shall be responsible for all incidental and consequential damages resulting directly or indirectly, in whole or in part, from Auditor's negligence, recklessness, or willful misconduct.

3.9 The Auditor shall not commence the performance of any work or services under this Agreement until the Auditor has obtained all insurance required hereunder, nor shall the Auditor allow any subcontractor to commence services under its subcontract until all such insurance has been obtained by the subcontractor. Current certification of insurance shall be kept on file with the City at all times during the term of this contract. The City reserves the right to require complete, certified copies of all required insurance policies, at any time. All insurance policies shall be issued by an insurance company currently authorized by the Insurance Commissioner to transact business of insurance or is on the List of Approved Surplus Line Insurers in the State of California, with an assigned policyholders' Rating of A- (or higher) and Financial Size Category Class VI (or larger) in accordance with the latest edition of Best's Key Rating Guide, unless otherwise approved by the Agency's Risk Manager. The Auditor shall take out and maintain at all times during the performance of this Agreement the following policies of insurance:

3.9.1 Workers Compensation Insurance to cover its employees as required by law; and the Auditor shall require all subcontractors to provide such compensation insurance for all of the latter's employees. Each such policy of worker compensation insurance shall carry the following endorsements:

(a) "The insurer waives all rights of subrogation against THE CITY OF LA PALMA, its officers, officials, agents, employees, and representatives."

(b) "This insurance policy shall not be canceled, limited or nonrenewed by the insurer until thirty (30) days after receipt by THE CITY OF LA PALMA of a written notice of such cancellation, limitation, or reduction of coverage."

3.9.2 Comprehensive General Liability Insurance for bodily injury, death, and property damage which may arise from the negligent performance of the Auditor, its employees, agents representatives, successors, and assigns while performing work or services under this Agreement, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate.

3.9.3 Comprehensive Automobile Liability Insurance, including owned, non-owned, and hired automobiles, in a minimum Combined Single Limit of \$1,000,000 per occurrence for bodily injury, death, and property damage.

Each such policy of insurance provided for in Paragraph 3.9.2 and 3.9.3 shall be in a form satisfactory to the City and shall contain the following endorsements:

(a) "THE CITY OF LA PALMA, its officers, officials, employees, and representatives, are hereby declared to be additional insureds under the terms of this policy with respect to the operations and activities of the named insured at or from the premises of THE CITY OF LA PALMA described above."

(b) "This insurance policy shall not be canceled, limited, or not renewed until thirty (30) days after receipt by THE CITY OF LA PALMA of a written notice of such cancellation, limitation, or reduction of coverage."

(c) "This insurance policy is primary insurance and no insurance held or owned by the designated additional insureds shall be called upon or looked to cover a loss under said policy; THE CITY OF LA PALMA shall not be liable for the payment of premiums or assessments on this policy."

3.9.4 Professional Liability Insurance to protect the City from the Auditor's negligent acts, errors, and omissions of a professional nature, with coverage in a minimum amount of \$1,000,000 per claim and in the aggregate. Any policy inception date, continuity date, or retroactive date must be before the effective date of this agreement and Auditor agrees to maintain continuous coverage through a period no less than three (3) years after completion of the services required by this Agreement.

At least thirty (30) days prior to the expiration of any policy of insurance required under Paragraph 3.9.1, 3.9.2, 3.9.3 or 3.9.4, a signed complete certificate of insurance, with all endorsements provided herein, showing that such insurance coverage has been renewed or extended, shall be filed with the City.

3.10 The Auditor shall not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the City; and any such assignment or other transfer without such consent shall be void.

3.11 Except as the City may specify in writing, the Auditor shall have no authority, express or implied, to act on behalf of the City in any capacity whatsoever as an agent. This Agreement does not grant to the Auditor any authority, express or implied, to bind the City to any obligation whatsoever.

3.12 In the event any action is commenced by one Party to this Agreement against the other to enforce any of the rights or obligations arising from this Agreement, the prevailing Party in such action, in addition to any other relief and recovery ordered by the court, shall be entitled to recover all statutory costs, together with reasonable attorney's fees.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

CITY OF LA PALMA

By _____
Michele Steggell
Mayor

ATTEST:

Kimberly Kenney, CMC
City Clerk

[NAME OF COMPANY]

By _____

[Title]

By _____

[Title]

APPROVED AS TO FORM:

RUTAN & TUCKER

By _____
City Attorney, City of La Palma

Exhibit A
Scope of Work

Exhibit B
Budget and Fee Schedule