

CITY COUNCIL AGENDA

THURSDAY, August 17, 2023

7:00 P.M. Regular Session

14531 E School St, Amador City, CA 95601

The Agenda can be found on the City's Website: <https://amador-city.com/government-agendas-minutes/>

THE CITY OF AMADOR CITY COUNCIL MEETING WILL BE AVAILABLE VIA ZOOM AND IN PERSON.

Join Zoom Meeting

<https://us02web.zoom.us/j/88534027186?pwd=cUhaSm8xRUNTOTgxb1QwSFFzb1VqUT09>

Meeting ID: 885 3402 7186

Passcode: 193935

or

Dial by phone:

669-900-6833

Meeting ID: 885 3402 7186

Passcode: 193935

Unless stated otherwise on the agenda, every item on the agenda is exempt from review under the California Environmental Quality Act ("CEQA") per CEQA Guidelines Sections 15060(c), 15061(b)(3), 15273, 15378, 15301, 15323 and/or Public Resources Code Section 21065.

- 1. CLOSED SESSION – No Scheduled Session**
- 2. CALL TO ORDER AND ESTABLISH A QUORUM FOR REGULAR MEETING**
- 3. PLEDGE OF ALLEGIANCE TO THE FLAG**
- 4. REPORT FROM CLOSED SESSION – Pending discussion**
- 5. PUBLIC FORUM**

At this time, the public is permitted to address the City Council on items not appearing on the agenda. Comments may not exceed 5 minutes. In accordance with State Law, however, no action or discussion may take place on any item not appearing on the posted agenda. The City Council may respond to statements made or questions asked or may request Staff to report back at a future meeting on the matter. The exceptions under which the City Council may discuss and/or take action on items not

appearing on the agenda are contained in Government Code §54954.2. Public comment on any item listed below shall be limited to five minutes, unless additional time is permitted by the Mayor/Council.

6. CONSENT AGENDA

Items listed on the consent agenda are considered routine and may be enacted in one motion. Any item may be removed for discussion at the request of Council or the Public.

A. City Council Minutes of July 20, 2023.

Recommendation: By motion approve minutes as presented.

B. Financials – Fiscal Statement

Recommendation: By motion approve financials as presented.

C. City Council Agenda of August 17, 2023.

Recommendation: By motion approve agenda as presented.

7. INFORMATION/CORRESPONDENCE

A. Committee Reports.

1. ARSA; CIRA; RTMF-ACTC; LAFCO; ACRA; AAD (Air); Homeless task force; Fire; Museum; Short-term Rental; Parks; Design Review; Maintenance; Cemetery; ACBCA

Recommendation: For discussion and staff direction.

8. ORDINANCES & PUBLIC HEARING

A. Outdoor Patio – Dining Permit (Review of Dining vs. Outdoor Cooking)

Recommendation: Discussion for Future Agenda Action Item.

B. Cooking Oil Spill (Main Street Bridge & Patio)

Recommendation: Discussion for Future Agenda Action Item.

9. ADMINISTRATIVE AGENDA

A. ACBCA – Request for Financial Assistance (Dancing in the Streets/Main Street Magic)

Recommendation: By motion approve request as presented.

B. Amador County Animal Services Contract.

Recommendation: Discussion for Future Agenda Action Item.

C. Acquiring a CPA Firm.

Recommendation: Discussion for Future Agenda Action Item.

D. ACTC Roads Funding Grant Matching Funds

Recommendation: Discussion for Future Agenda Action Item.

E. Amador County Self-Help Road Tax

Recommendation: Discussion for Future Agenda Action Item.

F. City Manager Salary

Recommendation: Discussion for Future Agenda Action Item.

G. Air BnB / Short Term Rental (STR)

Recommendation: Additional Discussion beyond Committee Reports for Future Agenda Action Item.

H. City Hall Fire Update

Recommendation: Discussion for Future Agenda Action Item.

I. Speed Study on Highway 49 (Amador City to Sutter Creek)

Recommendation: Discussion for Future Agenda Action Item.

10. MAYOR AND COUNCIL MEMBER REPORTS

This section is to provide Council members an opportunity to present updates on their activities and to request items be placed on future agendas.

11. CITY MANAGER'S REPORT

This section is an opportunity to provide Council members with a brief status update on staff activities. No action is expected to be taken by the Council.

12. CITY ATTORNEY'S REPORT

This section provides an opportunity for the City Attorney to report on any activities or upcoming legislation of importance to the City. No action is expected to be taken by the Council.

13. STAFF REPORT

A. Permit Log.

B. Transit Occupancy Tax Update

14. FUTURE AGENDA ITEMS

This section provides an opportunity for Council members to request items to be added to the agenda in the future with a majority Council vote.

15. ADJOURNMENT

The next regularly scheduled meeting is September 21, 2023.

AMADOR CITY COUNCIL

MINUTES OF REGULAR MEETING JULY 20, 2023

1. **CLOSED SESSION – Amador City involvement in pending ARSA lawsuit with Sutter Creek and Ione – Tabled for now – no material.**
2. **CALL TO ORDER AND ROLL CALL - Kel-Artinian, Bragstad, Robinson, Sherrill, Staples present.**
3. **PLEDGE OF ALLEGIANCE**
4. **REPORT FROM CLOSED SESSION – TABLED FOR NOW – NO MATERIAL**
5. **PUBLIC FORUM –**
6. **CONSENT AGENDA – Agenda Item C to A and D to B. Kel-Artinian moved, 2nd by Robinson, approved unanimously.**
7. **INFORMATION/CORRESPONDENCE –**
 - a. **Committee Reports**
 1. **ARSA – Cancelled**
 2. **CIRA – Approved reimbursement for work in cemetery**
 3. **RTMF – Nothing**
 4. **LAFCO – New executive director**
 5. **ACRA – Website completed, approve cell tower lease of \$1,200 monthly**
 6. **AIR – Nothing**
 7. **HOMELESS – Nothing**
 8. **Fire – Pine Grove Camp cannot clean Amador Creek this year**
 9. **Museum – Roof repaired**
 10. **STR -New ordinance not ready**
 11. **PARK – Sole Source Resolution to be adopted. Work will be more piecemeal. City will act as General Contractor**
 12. **Design Review – Nothing**
 13. **Maintenance – Nothing**
 14. **Cemetery – Trees trimmed**
 15. **ACBCA -Meeting next Thursday**
8. **ORDINANCES & PUBLIC HEARING**
 - a. **Budget – Robinson moved, 2nd by Bragstad, approved unanimous**
9. **ADMINISTRATIVE AGENDA**
 - a. **A CTC Roads Funding Grant Matching Funds -ACTC Director John Gedney to present: \$200,000 incentive to put 1/2cent sales tax in place. 10-20 year sunset. A guide to the measure is available. It must be put on ballot. A sub committee to meet regularly. An advisory committee is needed. There is a 25% match for city for projects.**
 - b. **ACES Contract – Moved by Sandy Staples, 2nd by Sherrill , new contract approved unanimously.**
 - c. **Amador Hotel Sewer Rate Resolution #616 – Bragstad moved, 2nd by Staples, approved unanimously**
 - d. **City Park Sole Source Funding Resolution #617- Robinson moved, 2nd Bragstad approved unanimously –**
 - e. **Amador City Downtown Planters -Councilman Sherrill would like to solicit volunteers to help clean up planters in downtown/bridge area.**
 - f. **Small Town Pride Certificate received from State**
 - g. **City Manager Funding for 23-24 Fiscal year to be on August agenda**
At this time meeting was adjourned due to extreme heat

From: Anne Kel-Artinian kelartinian.anne@gmail.com
 Subject: Re: Animal Services
 Date: Jun 15, 2023 at 3:08:10 PM
 To: lawyer@patkeene.com, Dave Groth david.groth@amador-city.com

Hi Dave and Pat,

I have been reviewing this also and think that \$1200 for Amador City is too high. Basically, they are telling us that we will be charged proportionally with our population. Amador City is being charged almost double what would be proportional to our population because they round us up to 1% of the county's population, when in reality, we are .56% of the county's population.

In this chart, you will see that if we are charged proportionally (.56%), we would only pay \$6875.13 rather than \$12,267. Note that our overpayment is being offset by Lone's, Jackson's, Plymouth's, and Sutter Creek's underpayment.

Amador City Analysis of Animal Services Contract 06152023

	Proposed billing	Proposed percent of population	Estimated population based on proposed percent	Actual population	Actual Percent of Population	Actual portion	Difference between proposed and actual
county only	\$ 736,073.00	60%	22376.20	22264	59.65%	\$ 732,382.05	\$ (3,690.95)
lone	\$ 184,018.00	15%	5594.04	5638	15.11%	\$ 185,463.98	\$ 1,445.98
jackson	\$ 171,750.00	14%	5221.10	5292	14.18%	\$ 174,082.19	\$ 2,332.19
sutter creek	\$ 86,875.00	7%	2640.95	2786	7.46%	\$ 91,646.44	\$ 4,771.44
plymouth	\$ 36,803.00	3%	1118.79	1135	3.04%	\$ 37,336.22	\$ 533.22
amador city	\$ 12,267.00	1%	372.91	209	0.56%	\$ 6,875.13	\$ (5,391.87)
Total needed from county and cities	\$ 1,227,786.00		Total county and cities population	37324			

Another additional argument would be to confirm that the population numbers are correct. I have never seen 209 as our population. Indeed, the most recent census says we are only 200. ACTC thinks we are even less based on numbers they get from the state.

Finally, and I have not done this yet, I would like to see how many services are being used by Amador City residents.

I will share these findings tonight at the meeting.

Anne

| On Thu, Jun 15, 2023 at 12:16 PM <lawyer@patkeene.com> wrote:

| I reviewed this; it appears pretty "boilerplate," except that the dollar amount is left

Quotation

EVOCHARGE

Date: Aug 8, 2023 05:29 PM

Quote No: 1375-2023

Project Name:

Quote Expires: Sep 6, 2023

Customer: City of Amador City, Ca

Customer RFQ #:

Attention: Bruce Sherill

Currency: USD

Part Number	Quantity	Net Price	Total
EVC3ACBB1E1A1 IEVSE Plus 25' AMPUP LTE	2	\$ 1,700.77	\$ 3,401.53
EVC0405 4x4 Pedestal 4' Kit	1	\$ 520.87	\$ 520.87
EVC9001 Evo Pedestal Installation Kit	1	\$ 27.77	\$ 27.77

Quotation Total \$ 4,039.17

Lead Time: 7-10 Business Days ARO

Comments:

Utility and Government rebate programs available at: <https://evocharge.com/tax-rebates/>

Incoterm: EXW- From plant

Shipping Point: Eden Prairie, MN USA

Shipping Terms: Freight shall be prepaid and Add or Collect.

Terms: TBD

Sales Tax May Apply

Sales Representative: Michelle O'Keefe

E-mail: michelle.okeefe@phillipsandtemro.com

Phone Number: (952) 918-8782

Terms & Conditions and Warranty (Available online)

Terms & Conditions: <https://commercial.evocharge.com/terms-and-conditions/>

Warranty: <https://evocharge.com/legal/limited-warranty-content/>

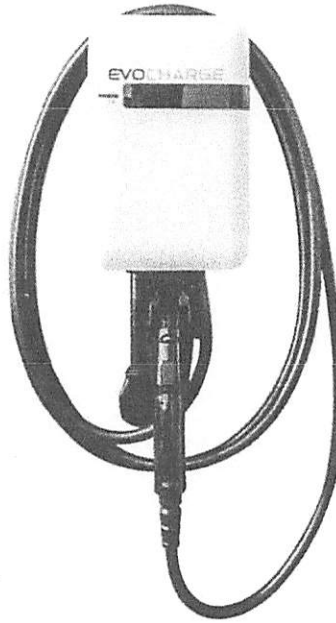
EVOCHARGE™

EVOCHARGE® Level 2 EVSE

(EVSE, iEVSE, iEVSE Plus) Product Description and Specifications

ELECTRIC VEHICLE CHARGING STATIONS

- Modern Compact Design: EVSE form factor smaller than a standard sheet of letter-size paper
- Robust Construction, Certified for Outdoor Use: tamper-resistant features; NEMA 4 certified for outdoor and indoor use
- Simple Operation: EVSE models simply plug-in to EV and charge
- Network Options: iEVSE and iEVSE Plus are OCPP 1.6 networked enabled charging stations to support access control, payment capability, remote management and control, demand response. Network connection via Wi-Fi; iEVSE Plus models also include 4G-LTE cellular, RFID card reader and Local Load Management capability.
- Cable Management: Standard Connector and Cable Holster included, optional cable management solutions available



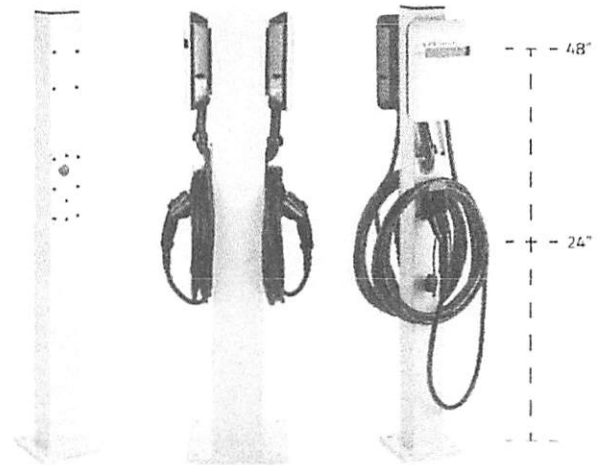
Part Number	EVOCHARGE EVSE: EVC3AA0A2E1A1 (18 ft. charge cable) or EVC3AA0B2E1A1 (25 ft. charge cable) EVOCHARGE iEVSE: EVC3AB0A2E1A1 (18 ft. charge cable) or EVC3AB0B2E1A1 (25 ft. charge cable) EVOCHARGE iEVSE Plus: EVC3AC0A1E1A1 (18 ft. charge cable) or EVC3AC0B1E1A1 (25 ft. charge cable) EV Cable Management System (Optional): EVOREEL and Retractor
Connector / EVSE Level	SAE J1772; AC Level 2
Max Output Rating	32A; 7.68 kW Maximum Output – For use with dedicated 40A (or greater) Supply Circuit
Alternate Adjustable Output Settings	24A; 5.76 kW Maximum Output – For use with 30A Circuit Rating 16A; 3.84 kW Maximum Output – For use with 20A Circuit Rating
Electrical Circuit / Input Power Requirements	208-240VAC, 50/60 Hz., Single Phase; Circuit Requirement: Dedicated; Branch Breaker: Double pole; Circuit Conductors: Line 1, Line 2, Earth Ground
Input Power Connection	EVSE & iEVSE: Plug-in, NEMA 6-50 Plug (Removable for Hardwire Connection); iEVSE Plus: Hardwire
Operational Ratings	NEMA 4, Indoor/Outdoor Rated; Temp: -22°F to 122°F (-30°C to 50°C); Humidity: 95% RH
Mounting	Wall or Pedestal Installation
Dimensions	EVSE: 11.0 x 7.5 x 3.2 inches (28.0 x 19.0 x 8.1 cm)
Display & Indicators	LED Charge Status Indicators (Power/Ready, Charging, Fault)
Cable Management Type	Connector/Cable Holster (Standard); EVoReel & Retractor Cable Management (Optional)
Standards & Compliance	Charging Station: UL/cUL Listed; SAE J1772, UL 2594, UL 355, CSA ; EVOREEL: ETL/cETL

*visit phillipsandtemro.com for more information or to download a complete installation manual

Concealed Pedestal Product Description and Specifications

ELECTRIC VEHICLE CHARGING STATION PEDESTAL

- Mount up to four stations on one pedestal
- Weather-resistant construction: powder coated corrosion protection
- Concealed raceway: wiring is safely enclosed within the pedestal
- Water-resistant single access panel
- Securely ground-mounted with four anchor bolts
- Small footprint saves space and keeps area to minimum
- ADA compliant height
- Available in 4-inch or 6-inch widths



Part number	4-inch: EVC0405
	6-inch: EVC0408
Dimensions – inches (mm)	4-inch: 52 (1320) x 4 (101) x 4 (101); Base: 0.5 (13) x 8 (203) x 8 (203)
	6-inch: 52 (1320) x 6 (152) x 6 (152); Base: 12 (305) x 12 (305)
Weight	4-inch: 15 lbs
	6-inch: 25 lbs
Number of charging ports	4-inch: Up to 2 ports
	6-inch: Up to 4 ports
Certification	Charging station and holster mounts are compliant with Americans with Disabilities Act (ADA) recommended charge connect height of less than 48" and greater than 24"
Installation	Ground-based; anchor installation into concrete

Visit evocharge.com for more information or to download an installation manual



CITY OF AMADOR CITY

INCORPORATED JUNE 2, 1915

California

Sidewalk Dining/Serving Permit

Applicant Name: _____ Address: _____

Business Name: _____

Welcome to the City of Amador City! To expedite the processing of your application, use this form to verify compliance with City of Amador City requirements for sidewalk dining/service.

APPLICATION REQUIREMENTS

There is a one time non-refundable application fee of \$300 that must be submitted with this application, and an annual non-refundable continuation fee of \$300 that must be paid on the first of the year on each year after the permit is issued. The fees are non-prorated, and by executing below the applicant agrees to comply with payment of fees. Please submit the following attachments with the application and the \$300 application fee:

- Attachment A: Dimensioned site plan showing location of tables and chairs (portable heaters if applicable) on the sidewalk or city property;
- Attachment B: Photographs of the proposed area for sidewalk dining/service;
- Attachment C: Catalogue/brochure sheets of furniture, portable heaters, and barrier materials (if applicable);
- Attachment D: Copy of insurance certification (a minimum coverage of \$1,000,000.00 listing the City of Amador City as an additional insured. A 30-day cancellation notification shall be included).

Please verify the project would comply with the following conditions of approval:

Yes

<input type="checkbox"/>	The proposed sidewalk dining/serving area will leave a minimum of three feet of unobstructed sidewalk and will not prevent access to buildings, parked cars, or bus stop areas.
<input type="checkbox"/>	All proposed umbrellas, heaters, or similar accessories shall be rated for outdoor use, safely secured, and removable.
<input type="checkbox"/>	The sidewalk dining area (including adjacent street, curbs, gutters, and sidewalk) shall be kept clean and orderly and the outdoor furniture must be maintained.
<input type="checkbox"/>	Proposed outdoor dining/serving hours of operation shall fall between 7:00 a.m. and 10:00 p.m.
<input type="checkbox"/>	Free-standing canopy shade structures and signage in connection with the business's sidewalk dining must be approved.
<input type="checkbox"/>	Alcoholic beverage services within the business's sidewalk dining area is in compliance with ABC licensing regulations (Shaded conditions below only apply if an ABC license is acquired.)
<input type="checkbox"/>	A barrier between 2 to 3 feet tall consisting of planters, removable bollards, or similar features that will not alter or damage the sidewalk shall be maintained to differentiate the serving area.
<input type="checkbox"/>	Alcoholic beverages shall be served in non-disposable containers, and signs must be posted at the access points notifying patrons that no outside alcoholic beverages are allowed and that any alcoholic beverages served in the designated area may not be removed from the area.

REVOCATION

The sidewalk dining permit may be amended to include special conditions, and may be suspended or revoked for any reason. If there is non-compliance with any conditions of the permit or standard requirements for sidewalk dining the permit will be revoked. Any amendments, suspension or revocation of the permit is at the sole discretion of the Building Inspector and/or City Council. Please refer to Amador City Municipal Code Section 12.08.030, *et seq.* for more detail on the terms and conditions of the sidewalk permit.

AFFIDAVIT (To be completed by both property owner and applicant)

I have received, read, accept and understand the conditions listed on page one of this application.

Property Owner Name (Print) _____

Property Owner Signature _____

Date _____ Phone _____ E-MAIL ADDRESS _____

NOTICE, THE FOLLOWING IMPACTS YOUR RIGHTS AND OBLIGATIONS: The applicant and its principals, agents, employees, licensees, and patrons, hereby agree there shall be no liability on the City or upon any of its officers, agents, or employees for any claim, demand, or liability arising out of the permittees use of the permit applied for in this application, including for property damage or injury to the permittee, or its agents, employees, licensees, and patrons from any cause arising out of the permittee's use of the permit applied for by this application and under City Code 12.08.030, *et seq.* Furthermore, the permittee agrees to indemnify, defend, and hold harmless the City of Amador City and its officers, agents, and employees from any liability arising out of permitted activities. Should a claim arise out of the permittee's use of the permitted area, the City may plead this agreement as a complete defense to any such claim. Knowledge and consent to this provision shall be conclusively established by executing below, and by use of the permitted area for purposes expressed in Chapter 12.08.030, *et seq.*

Applicant Name (Print) _____

Applicant Signature _____

Date _____ Phone _____ E-MAIL ADDRESS _____

For Official Use Only

Approved

Approved w/Conditions

Denied

Approved by

Date

PERMIT NO. _____

Project Specific Conditions of Approval:



BEST PRACTICES

Audit Procurement

Select services that include a broad scope of financial presentations and perform their audits in accordance with the Generally Accepted Government Auditing Standards. Governments should enter into multiyear agreements and undertake a full-scale competitive selection process.

The Government Finance Officers Association (GFOA) has long recommended that state and local governmental entities obtain independent audits of their financial statements, and single audits, if required based on the entity's use of federal or state grant funds, performed in accordance with the appropriate professional auditing standards. Properly performed audits play a vital role in the public sector by helping to preserve the integrity of the public finance functions, and by maintaining citizens' confidence in their elected leaders.

GFOA makes the following recommendations regarding the selection of auditing services:

- The scope of the independent audit should encompass not only the fair presentation of the basic financial statements, but also the fair presentation of the financial statements of individual funds and component units. Nevertheless, the selection of the appropriate scope of the independent audit ultimately remains a matter of professional judgment. Accordingly, those responsible for securing independent audits should make their decision concerning the appropriate scope of the audit engagement based upon their

particular government's specific needs and circumstances, consistent with applicable legal requirements.

- **Governmental entities should require in their audit contracts that the auditors of their financial statements perform their audits in accordance with the audit standards promulgated in the U.S. Government Accountability Office's Government Auditing Standards. Government Auditing Standards, also known as Generally Accepted Government Auditing Standards (GAGAS), provide a higher level of assurance with regard to internal control than Generally Accepted Audit Standards (GAAS), which are fully incorporated into GAGAS.**
- **Governmental entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such multiyear agreements can take a variety of different forms (e.g., a series of single-year contracts), consistent with applicable legal requirements. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain "startup" costs over several years, rather than over a single year.**
- **Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements. While there is some belief that auditor independence is enhanced by a policy requiring that the independent audit firm be replaced at the end of each multiyear agreement, unfortunately, the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory audit firm rotation counterproductive. In such cases, it is recommended that a governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory. Where audit firm rotation does not result from this process, governments may consider requesting that senior engagement staff, such as engagement partners and senior managers, be rotated to provide a fresh perspective. Except in cases where a multiyear agreement has taken the form of a series of single-year contracts, a contractual**

provision for the automatic renewal of the audit contract (e.g., an automatic second term for the auditor upon satisfactory performance) is inconsistent with this recommendation.

- Professional standards allow independent auditors to perform certain types of nonaudit services for their audit clients. Any significant nonaudit services should always be approved in advance by a governmental entity's audit committee. Furthermore, governmental entities should routinely explore the possibility of alternative service providers before making a decision to engage their independent auditors to perform significant nonaudit services.
- The audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor's ability to perform a quality audit. Price should not be allowed to serve as the sole criterion for the selection of an independent auditor, rather an independent auditor should have a demonstrated commitment to the state and local government audit practice.

Notes:

Contract Issues for Governmental Audits - The AICPA State and Local Government Expert Panel and GFOA worked together to develop this joint article intended to educate both governments and their auditors about clauses in contracts and engagement letters in the governmental environment that may not meet AICPA professional standards and that may create uncertainty about the auditor's independence.

References:

- *CPA Audit Quality: A Framework for Procuring Audit Services*, U.S. Government Accountability Office, August 1987.
- *Governmental Accounting, Auditing and Financial Reporting (GAAFR)*, Stephen J. Gauthier, GFOA, 2012.

Board approval date: Friday, March 8, 2019



Hiring a quality auditor:

Your guide to the selection process



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3 Why a financial statement audit is important

4 Evaluating auditor qualifications

6 The proposal process

10 Documenting the agreement

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Introduction: Commitment to quality

CPAs provide a wide range of services to the public, and auditing is at the core of those services. Since the founding of the American Institute of CPAs (AICPA) in 1887, the Institute and the profession have been committed to achieving the highest level of performance for financial statement audits.

As part of the AICPA's commitment to quality, we are providing this resource to assist your organization in:

- Understanding the importance of hiring a quality auditor to perform your financial statement audit
- Evaluating auditor qualifications
- Implementing the proposal process, including the request for proposal, proposal evaluation and auditor selection
- Documenting the agreement

Why a financial statement audit is important

A financial statement audit provides an independent, third-party report to management, shareholders and other interested parties that indicates whether an entity's financial statements provide reliable information.

Organizations need audited financial statements for a variety of reasons, depending on their size, ownership structure, industry, etc. For example, an entity's lending institution may require audited financial statements to extend financing, or shareholders may request audited financial statements if they aren't actively involved in running the company.

There may be additional legal requirements or fiduciary responsibilities particular to your organization that govern the need for an audit. For example, organizations with employee benefit plans may have an obligation to obtain an audit of the plan. Or entities that receive grants may have specific reporting requirements required under the terms of the grants.

The audit also may help management improve and streamline operations by evaluating the strength of internal control over financial reporting and identifying control weaknesses.

Hiring a firm to provide audit services to your organization can be the first step in developing a relationship with trusted professionals who have the training and knowledge to help your organization in many ways.

Audits of employee benefit plans, not-for-profits, governmental entities and publicly traded companies are highly specialized. Refer to the Additional resources section of this guide for information specific to these types of audit engagements. We may refer to some unique considerations relative to these engagements in this guide, but recommend you obtain additional information if you are considering hiring an auditor for such an engagement.

Evaluating auditor qualifications

Reviewing the auditor's qualifications is a critical step in selecting your auditor. This will require the consideration of licensing and independence rules, as well as the auditor's experience and professional development, including specific audit experience in your industry and continuing professional education.



Experience and professional development

A firm equipped to provide a high-quality audit to your organization should be able to demonstrate its qualifications in response to your request for proposal. Evaluate whether the firm has experienced, qualified staff. Not only is overall experience important, but also experience relevant to your organization (retail, banking, construction, manufacturing, not-for-profit, etc.) is a component of the firm's qualifications.

In some instances, a less-experienced auditor may be assigned to perform routine audit procedures to reduce audit costs. When this happens, you should confirm that an experienced auditor will review his/her work, as well as perform the more complicated audit procedures.

Identifying quality audit firms

The size of a firm doesn't dictate the level of audit quality – it's their commitment to quality. The AICPA established the profession's Peer Review Program to enhance the quality of accounting, auditing and attestation services performed by its members in public practice. The results of a firm's peer review provide a look at quality control systems and adherence to the profession's standards. If a firm doesn't provide the results of its latest peer review with its proposal, ask for it. You'll also find information on accessing a firm's peer review information in the Additional Resources section of this guide.

A commitment to quality can also be shown by a firm's additional membership in AICPA resource centers, including the:

- Governmental Audit Quality Center (GAQC) – Includes resources relating to financial statement audits of both governments and not-for-profits and single audits
- Employee Benefit Plan Audit Quality Center (EBPAQC) – Offers tools and resources to promote the quality of employee benefit plan audits
- Center for Audit Quality (CAQ) – Provides resources for auditors of public companies

- Private Companies Practice Section — Includes resources relating to quality control
- Center for Plain English Accounting — Provides technical assistance to CPA firms

Firms that are members of the GAQC and EBPAQC are required to establish higher standards of audit quality in their policies and procedures specific to the practice area. These quality centers also offer additional resources to help firms provide quality services to their clients.

If these practice areas are relevant to your organization, as you consider firm proposals, ask representatives of the firms if they are members of these centers.

When engaging an auditor, you should obtain references and discuss the auditor's work for other clients. You may want to obtain the continuing professional education records of the proposed audit team and determine that team members have recent training that addresses unique issues related to your industry, if applicable.

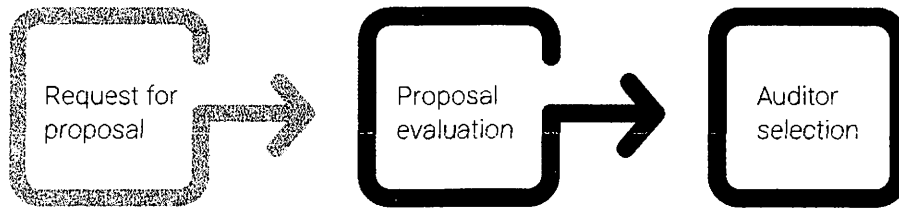
Independence

CPA professional standards require that the auditor be independent for purposes of auditing financial information and issuing an auditor's report on the financial statements. The auditor's independence is essential for a successful audit because it enables him or her to approach the audit with the necessary professional skepticism. Independent auditors must adhere to rules of auditor independence established by the AICPA (and the SEC and the Public Company Accounting Oversight Board, if applicable).

Licensing

CPA firms are required to meet the licensing requirements of the state(s) in which they practice. You may wish to verify with the appropriate state regulatory authority that the audit firm holds a valid, up-to-date license or certificate to perform auditing services (most states make this information available online).

The proposal process



The first step in hiring a quality auditor is preparing a comprehensive request for proposal (RFP) that will allow you to obtain the information you need to decide about the qualifications of the firms and the value they can bring to your organization.

The request for proposal (RFP)

The preparation of a sound RFP is an important part of the proposal process. A quality RFP will determine the quality of the respondents and will help reduce the time and effort expended in the overall RFP and selection process. It is critical that you ask informed questions during the proposal process to obtain adequate information on which to base your final decision to hire an audit firm. In addition, it is important that you provide audit firms with sufficient information about the nature of the entity and the engagement to allow them to make a meaningful and comprehensive proposal that addresses your specific needs. The RFP should outline the proposal and selection process, as well as summarize the background, objectives, expectations and requirements of the engagement to be undertaken. Therefore, the following should be remembered when preparing the RFP:

- Communicate the facts and conditions surrounding the engagement to be completed
- State your objectives and requirements clearly and thoroughly
- Be specific about the information needed to properly evaluate the proposal
- Require the proposal to be presented in a common format to allow for efficient and effective evaluation and comparison

Introduction

The introduction section of the RFP should provide a general description of the nature and scope of the engagement to be performed. It should:

- Describe why the RFP is being released. Discuss in general terms the objective to be achieved and the reason professional CPA services are being sought
- Discuss the term of the engagement, such as the length of time the contemplated contract covers (for example, an annual or a multi-year engagement), along with renewal options
- Provide an overview of how the RFP is structured and describe what information or supporting documents are contained in the appendixes, attachments, or the body of the RFP document

The introduction section also should include the following procedural information:

- Whether there will be a pre-proposal conference for firms interested in responding to the RFP
- Name of the contact person if further information is needed to respond to the RFP
- Number of copies of the proposal that must be provided
- Due date of the proposal
- Timeline for each stage of the process, including selection of finalists, firm interviews and award of engagement (this information is often presented in a table format for easy reference)

Administrative matters

The RFP should provide a description of the nature of the entity. The following information should be included in this section:

- Type of entity (corporation, not-for-profit, etc.)
- Fiscal year end
- Name of the auditor's principal contact with the organization
- Name of the individual (or firm) who prepares the entity's financial statements, including interim financial statements, if applicable
- The various locations of the organization and the location of personnel files and payroll information related to each location
- Locations of key company contacts assisting with the audit
- Whether SOC 1[®] reports are available from service organizations (SOC 1 reports examine the internal controls likely to be relevant in an audit)
- Type(s) of SOC 1 reports issued
- Date(s) when SOC 1 reports are available
- Name of party that performs SOC 1 engagement, if known
- Information regarding the availability of prior year auditor's working papers, including where they are located, how access will be provided, and when during the process the predecessor auditor may be contacted
- Expected due dates for completion of each service to be rendered
- Whether the proposed fee should be determined on a flat fee, flat fee plus expenses, hourly fee or hourly fee plus expenses basis

Scope of the engagement

The RFP should describe the services to be provided. It should describe the scope of the work and any special considerations, including a discussion of specific requirements and parameters to ensure the auditor's proposal is submitted successfully. From this information, the respondent should have a clear understanding of what should be included in the proposal, and what steps and timelines must be met for proposal consideration. Include the following information in this section:

- Number of years that should be covered by the proposal
- First year covered by the proposal
- Whether any work is performed by an internal audit function
- State that the audit must be performed in accordance with generally accepted auditing standards
- Whether any other services are expected of the CPA firm (such as preparation of tax returns)
- Whether the financial statements and auditor's report will be part of SEC filings
- Whether the CPA is expected to attend regular or special meetings with management, governance committees or other interested parties
- Description of any significant issues not described above (for example, unique accounting circumstances, consolidations needed, and known areas of difficulty, such as hard-to-value investments and discovery of fraud)

Proposal content and other submission requirements

Firm information

- Size, location and history of the CPA firm
- Whether the firm is a member of the AICPA Employee Benefit Plan Audit Quality Center, Governmental Audit Quality Center or Center for Audit Quality
- Number of clients in your industry
- States in which the firm is licensed to practice
- Firm references — especially from similar type entities — and specific contact information
- The firm's latest Peer Review Report and firm's response, if any
- Whether the firm is subject to any current litigation
- Whether the firm has been the subject of any AICPA or state CPA society ethics referrals
- Whether the firm meets the independence standards of the AICPA (and SEC if applicable)
- The firm's working paper retention and access policies and requirements
- If the financial statements will be included as part of an SEC filing, whether the audit firm is registered with the PCAOB
- Whether the firm has insurance coverage (errors and omissions, workers' compensation, etc.)

Personnel information

- Managing partner of the CPA firm
- Partner in charge of the CPA firm's audit practice for your industry, if applicable
- Partner in charge of the audit
- Expected levels of staffing and supervision

- Prior industry experience and training of the partner in charge of the engagement and other key firm personnel pertinent to the engagement, including continuing professional education specific to your industry in the past three years

Engagement information

- Audit approach
- A detailed fee schedule for each service to be rendered
- Reports to be issued
- Expected completion dates for each portion of the engagement
- Expected level of assistance your staff will provide to the audit firm
- Information that is expected to be provided to the CPA
- Work space requirements of the firm
- Tax or other professional services the firm can provide

Proposal evaluation

The RFP document can clearly outline the proposal evaluation process. A properly defined evaluation process promotes consistency and fairness in the selection process and will reduce the time spent assessing the respondents' qualifications and experience. This section should describe:

- Elements of the proposal that will be specifically evaluated (for example, whether the firm is a member of an AICPA quality center, technical experience, industry expertise, etc.)
- Methodology for scoring the proposal
- Steps involved in the selection process
- A right-to-reject clause

Appendixes and attachments

Appendixes and attachments can be used to accompany the body of the RFP to provide relevant information to prospective respondents. The following is a list of information that you may want to provide to all respondents as appendixes or attachments to the RFP:

- Copy of last audited financial statements, including the auditor's report
- Copies of interim financial statements, if applicable

Proposal evaluation and auditor selection

Consider the following information during the proposal evaluation and selection process:

- Licensure by the appropriate state regulatory authority
- Independence of the firm
- Experience and professional development

After the due date for proposal submission has passed, you can begin the technical evaluation process. The technical evaluation is important because it provides a systematic framework for selecting an auditor based on the requirements contained in the RFP. The review of the auditors' proposals and qualifications should be thorough, uniform and well-documented.

Before beginning your technical review of the document, check to see that the firm has addressed all items mentioned in your RFP. For those proposals that are complete and have addressed all relevant areas, you should determine a level of minimum standards for evaluating the information provided by the respondent. Using minimum standards is an effective and efficient tool to limit the number of proposals that will be reviewed. If certain respondents do not address all relevant issues or do not possess the minimum standards, you may wish to eliminate their proposals from the evaluation process.

It is recommended that you perform separate evaluations of the proposals based on technical criteria and price. While the price for the work to be performed is a factor in the selection process, your organization is likely to get a high-quality audit at a fair price if both price and technical ability are taken into consideration in selecting a successful respondent. Remember, the lowest price does not guarantee a quality audit. As mentioned previously, only after the technical evaluation is complete and the qualified respondents have been identified should you review the prices offered by the qualified respondents.

Once you have selected the finalists, invite each firm to present and discuss its proposal letter. An oral presentation allows for questions to be asked and answered, which promotes a better understanding of the proposal. This is your opportunity to see the proposal team demonstrate insight into your industry and its ability to work well with you and others involved in the audit. Should you feel you need more information or explanations from certain respondents before a decision can be made, you should contact those respondents that are contenders to obtain the necessary information (be careful during this phase of the process to not discuss or reveal proprietary information submitted by other respondents).

Documenting the agreement

The auditor is required by professional standards to document the agreement to provide services in writing and, as such, will send you an engagement letter, which documents the agreed-upon terms of the audit engagement. A signed written agreement represents a contract and is binding upon your organization and the auditor. For that reason, consider seeking the advice of legal counsel on the form and substance of the document when reviewing the agreement. At a minimum, the written agreement should contain the following:

- Names and parties to the contract
- Audit scope, objectives and purpose
- Audit schedule and deadlines for work to be performed
- Audit cost
- Reporting package and its format
- Type and timing of audit evidence to be provided by the auditee
- Professional standards to be followed for the audit
- Management's responsibilities

In addition, you should consider including the following items about the auditor/auditee relationship, changes in the scope and quantity of work required, and access to and ownership of audit products:

- A statement that the auditor is an independent contractor
- A statement that the auditee has the right, by written notice, to make changes or additions to the work within the general scope of the agreement and that, in such cases, an equitable adjustment to the price of the audit will be made using specified rates

- A description of how the auditor should handle situations in which the auditor does not agree with changes and additions in work to be performed, including how the auditor is to communicate this to the auditee; for example, disagreements should be in writing and communicated within a specified time period; a description of the dispute resolution process also should be included
- A statement that the auditor owns its audit documentation and a specified period for which that documentation must be retained by the auditor
- A statement that addresses access to audit documentation and copies that may need to be provided to regulatory reviewers
- A statement that the audit reports rendered by the auditor to the entity are the exclusive property of the auditee for use subject to applicable laws and regulations

Additional resources

GAQC resources

aicpa.org/GAQC

The GAQC has prepared tools including:

- The [Auditee Resource Center](#)
- A discussion on [Procuring Governmental Audit Services](#)
- Member listing

EBPAQC Plan Sponsor Resource Center

aicpa.org/EBPAQC/PlanSponsorResourceCenter

The EBPAQC has compiled helpful tools and resources for plan sponsors, administrators and trustees including:

- *The Importance of Hiring a Quality Auditor to Perform Your Employee Benefit Plan Audit*
- *Employee Benefit Plans – Financial Statement Audits*
- Member listing

Peer Review resources for the public

aicpa.org/peerreview

The Peer Review Public File provides a list of public accounting firms and their enrollment status in the AICPA Peer Review Program.

Information in the public file includes the firm's most recent peer review report, letter of comments (if any) and the firm's response (if any) for firms that are members of the EBPAQC, GAQC or PCPS, or firms that have voluntarily requested to have their peer review documents publicly available.

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Auditee Resource Center Practice Aid

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Procuring Governmental Audit Services

Introduction

This practice aid was prepared by the AICPA's Governmental Audit Quality Center (GAQC) and is intended for the various stakeholders involved in the audit procurement process for states, local governments, not-for-profit organizations (NPOs), or certain for-profit organizations that receive federal or state assistance. It provides useful information in navigating through the various steps involved in the procurement of audit services and covers steps including planning the procurement, developing the Request for Proposal (RFP), evaluating proposals received, and monitoring the audit.

The primary purpose of the GAQC is to promote the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. Appropriate consideration of the audit procurement process is a key aspect of helping to ensure a quality audit.

Why Audit Quality is Important to Audit Purchasers

If you are associated with the audit procurement process, you likely already know about the reliance that the public and other stakeholders place on your organization and its activities. Therefore, you have a vital fiduciary responsibility to ensure that your audit is of the highest quality. Independent audits of organizations like yours, including financial statement audits and compliance audits of federal or state expenditures, are an important accountability mechanism. These audits provide a form of assurance to your management, those charged with governance, regulators, and other stakeholders (e.g., bondholders). Quality financial statement and compliance audits can help you:

- Fulfill your fiduciary responsibility;
- Obtain assurance related to the financial integrity of funded programs;
- Identify possible noncompliance and other issues early to avoid interruption of current funding;
- Lower the risk of future noncompliance; and
- Strengthen your ability to secure additional funding in the future.

How to Use This Document

The guidance provided in this document details the various steps involved in the procurement of audit services. Reviewing this guidance will help ensure that your procurement process runs more smoothly and that the outcome of the process will be the hiring of an auditor that has the appropriate qualifications. The guidance included is generic and should be used for reference purposes only. It is not all-inclusive and

depends on the particular circumstances of your organization. The best approach to using this document is to have those involved in the procurement process read it, and then collectively customize the steps in the document and make sure the selection process meets your organization's specific needs. You should also ensure you obtain and read other guidance that is available to help you with the audit procurement process. The "Other Resources" section at the end of the document summarizes resources that you may wish to consider.

Procurement Steps

1. **Planning for Procuring Audit Services:** Careful planning for the procurement process helps ensure that audit objectives will be met in accordance with applicable laws, regulations, and contractual agreements. It will also help ensure a quality audit. In planning for procuring audit services, consider each of the following items. Each item is followed by additional information and/or questions for your consideration:
 - a. *Applicable federal, state, local and contractual audit procurement requirements and internal policies.* Are there any special procurement requirements that your organization is subject to? If so, be sure to consider these and incorporate them into the procurement process. For example, if your organization expends federal funds and is subject to an audit referred to as a "single audit" under Office of Management and Budget (OMB) requirements, you are likely subject to specific compliance requirements relating to procurement.
 - b. *Defining the entity to be audited.* Will the entire organization be covered under the audit? Or, alternatively, will only a portion of the organization be covered (e.g., a primary government, a component unit, a department or a fund of a government, a subsidiary of an NPO, etc.). Be sure to keep in mind generally accepted accounting principles (GAAP) requirements and any pertinent legal requirements.
 - c. *Delineating the scope of the financial statement audit.* Will the audit include the basic financial statements only or will it also include other financial statements such as individual funds for a government or a subsidiary of an NPO? Will required supplementary information (RSI) or supplementary information (either required by GAAP or provided voluntarily) be presented that will require the auditor to perform additional procedures?
 - d. *Determining the specific audit requirements.* Are there specific laws or regulations that apply to your organization that impose certain audit requirements (e.g., the Single Audit Act, a state law, etc.)? Additionally, is your organization subject to contractual provisions that impose audit requirements (e.g., through debt provisions)? Are there other professional

- services that might be required that can be procured jointly with financial statement and single audit services, such as reports on compliance with policies (e.g., investment guidelines) or agreed-upon procedures required by lenders, bond covenants, or contracts?
- e. *Determining the relevant auditing standards.* Generally, the financial statement audit for governments, NPOs and non-public for-profit organizations are performed under auditing standards issued by the AICPA. For-profit public companies are likely subject to the auditing standards of the Public Company Accounting Oversight Board (PCAOB). You may also be required by law, regulation, or contract (e.g., by the Single Audit Act, by a state law, contracting agency requirement, etc.) to have your financial statement audit performed under *Government Auditing Standards* issued by the Comptroller General of the United States (also referred to as the Yellow Book).
 - f. *Determining whether single audit requirements or another federal compliance audit requirement applies to your organization.* Has your state, local government or NPO expended federal awards over the threshold for a single audit? If so, a single audit will be required, in addition to your financial statement audit. If you are a for-profit organization, have you contractually agreed to have an audit performed in accordance with a federal compliance audit requirement and/or federal audit guide? [Access a GAQC compilation of various audit requirements for for-profit organizations.](#)
 - g. *Determining whether state compliance requirements apply to your organization.* Does the state impose any additional compliance audit requirements (e.g., State “single audit” requirements) that your organization would be subject to?
 - h. *Identifying the attributes necessary in an auditor.* What attributes will you be requiring of your auditor? Consider the following questions in making this determination: (1) Does the auditor have experience with entities similar to yours? (2) Does the auditor have experience with performing the type of audit that your organization needs (e.g., under *Government Auditing Standards*, single audit requirements, or a specific federal audit guide). (3) Does it appear that the auditor is committed to quality (e.g., participation in the peer review process, participation in other quality control programs like the AICPA’s GAQC, etc.)? (4) Are the auditor and firm licensed and independent?
 - i. *Determine whether there are any additional services which will be required?* Examples of additional services include financial statement preparation, bookkeeping, cash to accrual conversion, or Form 990 preparation among others. Professional standards require that CPAs performing these nonaudit

services meet certain independence requirements before beginning the audit engagement.

- j. *Establishing an auditor selection process.* What factors and degree of importance of those factors will you consider when you evaluate potential auditors? The technical expertise of the auditor and the auditor's commitment to quality should be considered as strong factors.
 - k. *Determining the audit engagement term.* Will a one-year term or multi-year term work better for your organization? One factor to consider in determining the term is that the first year of an audit usually involves significant start-up costs as auditors devote considerable time to learning about the organization and its internal control. Using this groundwork, the auditor may be able to perform the audit in less time and at less cost in the succeeding years. If your organization has policies that define the term of an audit contract, be careful to structure the terms of the RFP to match.
 - l. *Determining how you can assist the auditor in the performance of their audit.* Does your organization have the capacity to use resources from your internal audit or accounting staff to assist the auditor?
 - m. *Establishing a work schedule.* Have you determined dates for certain audit process milestones to be accomplished? Determination of such milestones or deadlines will help ensure the timely preparation and issuance of financial statements and related audit reports. Firm deadlines for issuance of audited financial statements and reports, such as those imposed by law or bond indentures should be considered. Additionally, other key dates should also be established for such areas as entrance conferences, pre-fieldwork planning conferences, end of on-site fieldwork conferences, and exit conferences. You should consider imposing consequences for missed deadlines.
2. **Develop RFP and Obtain Proposals from Potential Auditors:** Encouraging as many qualified auditors as possible to submit a proposal for auditing your organization increases the likelihood that you will receive a quality audit at a fair price. You may want to consider compiling a list of potential auditors from general and professional directories and from your past experiences. One source is the membership section of the AICPA's GAQC Web site (www.aicpa.org/GAQC) which includes a listing of its members (sorted by organization name and also by state) that perform single audits or audits under *Government Auditing Standards*. Some state CPA societies also include listings of auditors that practice in certain specialized industries. You may use many means to solicit proposals for audit services; however, the RFP is a reliable and efficient method. A well written and detailed RFP will help ensure your organization receives proposals that meet your

needs, terms, and conditions. A quality RFP plays a large role in ensuring the hiring of a quality auditor.

- a. Consult with Others in Developing the RFP. Consider consulting with others in your organization or industry when developing your RFP to ensure that everything necessary has been addressed. For example, you could consult with your audit committee (if applicable), legal advisers, accountants, internal auditors, procurement officers, and any other technical resources on staff. It is also helpful to check with trusted peers who have recently gone through the RFP process. These similar entities may have great input and detailed RFP examples that can be utilized to develop a very effective RFP and help your organization avoid common RFP pitfalls and mistakes.
 - b. What to include in your RFP? The purpose of an RFP is to provide potential auditors with enough information to develop proposals that address all of your organization's audit needs and concerns. The AICPA has developed, as part of its Audit Committee Toolkits for governments, NPOs, private companies, and public companies, tools for ensuring that an organization's RFP is complete and contains the necessary elements for the successful procurement of auditing services. Each of these toolkits, which can be purchased from the AICPA, includes either an RFP preparation checklist or a sample RFP. In addition to the guidance provided in these tools, the GAQC recommends that you also consider asking potential auditors to disclose the quality improvement programs that they participate in (e.g., membership in the GAQC) in the RFP.
 - c. Consider the Necessity of a Proposers' Conference. As a best practice, you should consider inviting prospective auditors to a proposers' conference to provide an opportunity for your organization to disseminate more information and for proposers to ask questions. This is also an opportunity to explain unique circumstances, rules, or operations, and to emphasize important points, such as the importance placed on timeliness and auditor staff continuity. Consider making the meeting mandatory to ensure that all prospective auditors hear explanations and answers to other's questions, and can meet the key people they would be working with if they are selected. If attendance at the meeting is not mandatory, make sure you provide a mechanism for information sharing to all proposers that are unable to attend the proposer's conference (e.g., disseminate all questions asked and the associated answers, explain additional guidelines discussed, etc.)
3. **Evaluation of Proposals Received:** It is recommended that an Evaluation Committee (see below) perform separate evaluations of the proposals based on technical criteria and price.

A properly defined evaluation process promotes consistency and fairness in the selection process. After the due date for proposal submission has passed, your organization can begin the technical evaluation. The technical evaluation is important for two reasons. First, it provides a systematic framework for selecting an auditor based on the requirements contained in the RFP. Second, it documents the selection process and helps ensure a fair selection. The review of the auditor's proposals and qualifications in response to the RFP should be thorough, uniform, and well documented. Consider using your audit committee or, if there is no audit committee, selecting a committee or Board to perform the evaluations (hereinafter referred to as Evaluation Committee). Also consider the following:

- a. Role of Evaluation Committee. This group should include individuals with appropriate technical skills (e.g., a background in accounting, auditing, budgeting, procurement laws, and other specialty experiences). Members should not have any conflicts of interest with the prospective proposers under review such as a family relationship, close friendship, previous employer or current business relationship.
- b. Requiring Minimum Standards. Using minimum standards is an effective and efficient tool to limit the number of proposals the Evaluation Committee has to review. Therefore, your organization should consider establishing a process to screen prospective proposals. If certain proposers do not possess the minimum standards, they should not be evaluated by the Evaluation Committee (unless the Evaluation Committee requests to see them for some reason as they go through the selection process). The following are some minimum standards you should consider in the screening process:
 - 1) The responsiveness of the proposal to the RFP.
 - 2) The auditor meets appropriate state licensing requirements.
 - 3) The auditor meets applicable independence requirements, especially if they are performing any nonaudit services such as financial statement preparation.
 - 4) The auditor has a record of responsible work.
 - 5) The auditor is in compliance with applicable peer review and continuing professional education (CPE) requirements.
 - 6) The auditor meets other minimum standards set forth in the RFP, such as those pertaining to the auditor's financial condition, adequacy of staffing, and experience auditing similar organizations.
- c. Technical Criteria. The required technical criteria were developed during the "Planning for Procuring Audit Services" step above. They were described in the RFP and should be used in the evaluation process.

However, at a minimum, the Evaluation Committee should be able to answer “yes” to the following questions about the contents of the proposals:

- 1) Does it demonstrate an understanding of the requirements (your organization’s needs) and the product to be delivered?
- 2) Does it have a sound technical plan and workable timetables?
- 3) Does it have satisfactory start and end dates for audit?
- 4) Does it have a practical approach to meeting benchmarks and deadlines?
- 5) Does it provide a description of the approach for planning the audit, conducting and timing of the fieldwork and the proper opportunity for your organization to review the reporting products before their issuance (including subsequent years for multiyear contracts)?
- 6) To avoid a duplication of efforts, does it indicate a willingness to use work from other auditors (i.e., internal and external) to the extent possible?
- 7) Does it demonstrate the auditor has experience with performing the required audit work for an organization similar to yours in both type and size, including any less-common aspects of your operations requiring specialized expertise (e.g., public utility experience)?
- 8) Does it demonstrate, if applicable, the auditor’s experience with performing audits under *Government Auditing Standards*, single audit requirements, other applicable federal compliance requirements, and/or federal audit guides?
- 9) Does it describe the auditor’s participation in quality improvement programs (e.g., membership in the AICPA GAQC)?
- 10) Does it contain references from prior or current clients that are similar to your organization?
- 11) Does it identify and demonstrate the individual and collective experience of the audit team and its leaders?
- 12) Does it clearly state the experience and qualifications of key personnel (e.g., specific audit engagements, areas of specialization, CPE, etc.)?
- 13) Does it address whether key personnel identified in the proposal will be adequately involved and accessible throughout the performance of the audit?

- 14) Does it state that your organization will be notified and consulted if key personnel changes are made?
- 15) Does it contain the auditor's latest peer review report and letter of response (if applicable)?
- d. Considering the Price. It is recommended that the Evaluation Committee perform separate evaluations of the proposals based on technical criteria and price. While the price for the work to be performed is a factor in the selection process, your organization is more likely to get the best combination of a high quality audit and at a fair price by independently evaluating technical ability and price.
- e. Rating the proposals. The review of an auditor's proposal should be thorough, uniform, and well documented. In order to objectively evaluate proposers, you should develop an objective scoring system for the technical abilities of each auditor as presented in their proposal. The Evaluation Committee should review the information contained in the proposals as submitted listing the strengths and weaknesses for the technical requirements and ensuring that the proposal meets minimum requirements. Any minimum requirements not met should be documented. After the technical evaluation is complete, the Committee should review the prices offered by the proposers. Consider the best technical proposals for your organization along with price and be prepared to select a proposal based on criteria other than price. You should consider determining the "percentage weighting" of technical ability versus price in advance of the actual rating process.
- f. Oral Interviews. After evaluating the written proposals, the Evaluation Committee may want to interview a few of the highest rated auditors to obtain additional explanation regarding their proposals or to learn more about them prior to making a contracting decision. Be sure not to discuss or reveal proprietary information submitted by other proposers during this process.
4. **Documenting the Agreement:** A signed written agreement represents a contract and is binding upon your organization and the auditor. This is often referred to as the engagement letter. For that reason, when reviewing the agreement, you should consider seeking the advice of your purchasing office or legal counsel on the agreement's form and substance. The RFP itself should indicate that a signed written agreement is required from the auditor that is selected. It is not unusual for the auditor to request amendment or clarifications of certain provisions. The agreement should include details concerning requirements and proposed audit work. At a minimum your written agreement should contain the following:

- Names and parties to the contract

- Audit scope, objective, and purpose
- Audit schedule and deadlines for work to be performed
- Audit cost
- Reporting package and its format
- Type and timing of audit evidence to be provided by the auditee
- Professional standards to be followed for the audit
- Detailed listing of audit staff that were evaluated in the proposal process and stated to be assigned to the engagement. If there are staff changes, you should consider asking that staff changes be communicated by the auditor in writing; and
- Management's responsibilities

Also, ensure that you consider including the following points about the auditor/auditee relationship, changes in the type and quantity of work required, and access and ownership of audit products:

- A statement that the auditor is an independent contractor.
- A statement that the auditee has the right, by written notice, to make changes or additions to the work within the general scope of the agreement. Also, a statement that in this case, an equitable adjustment to the price of the audit will be made using specified rates.
- A description of situations in which the auditor does not agree with changes and additions in work to be performed and how the auditor is to communicate this to the auditee. For example, disagreements should be in writing and within a specified time period. Also, you should include the process for final dispute resolution.
- A statement that the auditor owns its audit documentation and a specified period for which that documentation must be retained by the auditor (note that single audit requirements require a minimum 3-year retention of audit documentation and there may be other applicable laws and regulations with retention requirements that your organization is subject to).
- A statement that addresses access to audit documentation and photocopies that may need to be provided to regulatory reviewers such as, federal inspector generals, state auditors, etc.
- Statements that the audit reports rendered to the entity by the auditor are the exclusive property of the auditee for use subject to applicable laws and regulations.

- Consider adding language for one or more of the following:
 - Possible need to negotiate additional compensation for additional work – such as when new accounting and auditing standards greatly increase workload, or when there is a material increase in the number of “major programs” subject to single audit requirements.
 - Hourly rates for special work requested by the entity (which does not pose an independence impairment for auditor).
 - Compensation for work with successor auditors after conclusion of contract term, or if terminated early for any reason.
 - Compensation for work by auditor related to requests by federal agencies.
 - Freedom of Information Action (FOIA) requests and whether auditor working papers are exempt.
 - Rights of either or both parties to terminate prior to conclusion of term.
 - Be aware that certain “standard” terms and conditions often used in government contracts may be problematic for an auditor to agree to. For example, some government contracts inappropriately include indemnification clauses. Professional standards for CPAs do not allow the auditor to indemnify their clients. Governments sometimes also inappropriately include standard clauses relating to the ownership by the government of the work product. CPAs are required by regulators to make their working papers available but the audit firm retains ownership of the working papers.
 - Be aware that standard consulting agreements are not designed as audit agreements and these standard agreements can cause issues such as those addressed in the bullet above.
5. **Audit Monitoring:** While the responsibility for performing a quality audit rests ultimately with your auditor, monitoring the audit and the work being performed helps ensure a timely and quality audit. The best group to monitor the auditor is the audit committee. If your organization does not have an audit committee, consider forming a group of individuals that have authority, as well as financial and organizational experience and knowledge, to monitor audit quality and progress. Timely and active monitoring ensures that: (1) problems are addressed and resolved early; (2) the auditor and auditee working relationship will be enhanced; and (3) any surprises are uncovered early and not at the conclusion of audit. Monitoring is especially important during the first year of a new auditor and during the audit of a particular

unit or segment of an organization that is unique or complex. Monitoring can include regular progress reports and regularly scheduled meetings. (NOTE: Make sure these regular progress reports and regular scheduled meetings are adequately explained and requested in the RFP.) It is most important to ensure that feedback on auditor performance is provided regularly and after the engagement to allow for any adjustments to subsequent audits. Finally, ensure that you communicate with the auditor after the completion of the audit and before the issuance of the final report(s) to avoid surprises and improve understanding.

Other Resources

You may want to consider reviewing past RFPs and contracts from your organization as you go through the audit procurement process. Various federal and state agencies may also have sample RFPs and other procurement guidance available. The Internet may also be a tool to help you gather information, formats, and procurement regulations. Below are some Web sites that you may want to consider:

- [AICPA Audit Committee Toolkits](#)
- Various federal and state agency Web sites
- Your own network of peers who have been through the RFP process