



**CITY OF MONTGOMERY**  
**REQUEST FOR PROPOSALS**  
**AUDIT SERVICES**

*September 22, 2021*

**CITY OF MONTGOMERY, TEXAS**  
**REQUEST FOR PROPOSALS- PROFESSIONAL SERVICES**

The City of Montgomery, Texas is requesting proposals from qualified auditors for the Annual Financial Audit of the City in accordance with the requirements of the laws and/or requirements of the State of Texas. The audit will (1) examine the financial statements and records of all funds and account groups of the City and its component units for the fiscal year ending September 30, 2021, with option to renew for each of the three subsequent fiscal years, and (2) other related services as specified in Request for Proposal. For a copy of the Request for Proposal with requirements and specifications, please contact Susan Hensley, City Secretary, 101 Old Plantersville Road, Montgomery, Texas, 77316 Phone: (936) 597-3288. Sealed proposals shall be submitted no later than 3:00 p.m. on October 28, 2021, to the City of Montgomery. Submit fifteen (15) copies and one digital copy of the proposal. It is important the proposal be submitted in a sealed envelope clearly marked with the following information:

City of Montgomery  
ATTN: Susan Hensley, City Secretary  
Request for Proposal for Audit Services

Proposals will be publicly opened and read aloud in the Council Chambers at City Hall located at 101 Old Plantersville Road, Montgomery, Texas 77316 on October 28, 2021, at 3:00 p.m. following the submittal deadline.

Unsealed or late proposals will not be accepted. The City of Montgomery reserves the right to reject any and all proposals, to negotiate portions thereof and to select any proposal considering the quoted estimated fee and other factors as deemed to be in the best interest of the City.

Susan Hensley, City Secretary  
[shensley@ci.montgomery.tx.us](mailto:shensley@ci.montgomery.tx.us)

## **I. INTRODUCTION**

### **A. General Information**

The City of Montgomery, Texas (hereinafter referred to as the City) seeks proposals in response to this Request for Proposal (RFP) from qualified and experienced public accounting firms whose principal officers are independent certified public accountants (hereinafter referred to as “proposers” or “the proposer,” with related pronoun reference “he” or “his” to be interpreted without regard to gender). The objectives of this RFP are: (1) to obtain audit services for performance of the City’s annual audit of financial statements for the fiscal year ending September 30, 2021, with the option to renew for each of the three subsequent fiscal years, and (2) to obtain other related services as stated herein. These audits are to be performed in accordance with generally accepted government auditing standards.

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

To be considered, fifteen (15) printed copies and one digital copy of a proposal must be received by Susan Hensley, City Secretary by mail or in person at 101 Old Plantersville Road, Montgomery, Texas 77316 on or before 3:00 p.m. on October 28, 2021. It is the sole responsibility of the proposer to ensure that the proposal is received within the time limit indicated. Late proposals will not be accepted.

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

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

It is anticipated the selection of a firm will be completed by November 9, 2021. Following the notification of the selected firm it is expected a contract will be executed between both parties by November 30, 2021. The City may modify these dates should the evaluation process require additional time.

### **B. Term of Engagement**

Term of the contract shall be for one year and may be renewed for three additional one-year periods, subject to the annual review of the City Administrator, the satisfactory negotiation of terms (including a price acceptable to both City of Montgomery and the selected firm), the concurrence of the City Council and the annual availability of an appropriation.

### C. Dispute Resolution

Disputes concerning the terms of contracted services that cannot be resolved will be brought before an independent mediation center, whose decision will be binding upon both parties.

## II. NATURE OF SERVICES REQUIRED

### A. General

The City of Montgomery is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending September 30, 2021, with the option to audit the City's financial statements for each of the three subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

### B. Scope of Work to be performed

The City of Montgomery desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles. The City also desires the auditor to express an opinion on the fair presentation of its combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an "in-relations-to" report on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements and the combining and individual fund financial statements and schedules. The auditor is not required to audit the statistical section of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

### C. Auditing Standards to be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accounts, the standards for financial audits set forth in the U.S. General Accounting Officer's Government Auditing Standards, the provisions of the Single Audit Act Amendments and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments, and Non-profit Organizations.

#### D. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk.
3. A report on compliance with applicable laws and regulations.
4. An "in-relation-to" report on the schedule of federal financial assistance.
5. A report on the internal control structure used in administering federal financial assistance programs.
6. A report on compliance with laws and regulations related to major and non-major federal financial assistance programs. This report should include an opinion on compliance with specific requirements applicable to major federal financial assistance programs, a report on compliance with general requirements applicable to major federal financial assistance programs, and a report on compliance with laws and regulations applicable to non-major federal financial assistance program transactions tested.

In the required report(s) on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. In addition, the following conditions shall be considered reportable:

1. Reportable conditions that are also material weaknesses shall be identified as such in the report.
2. Nonreportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report(s) on internal controls.
3. The reports on compliance shall include all instances of noncompliance.
4. 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 necessary parties.

5. Auditors shall assure themselves that the City of Montgomery is informed of each of the following:
  - a. The auditor's responsibility under generally accepted auditing standards,
  - b. Significant accounting policies,
  - c. Management judgements and accounting estimates,
  - d. Significant audit adjustments,
  - e. Other information in documents containing audited financial statements,
  - f. Disagreements with management,
  - g. Management consultation with other accountants,
  - h. Major issues discussed with management prior to retention,
  - i. Difficulties encountered in performing the audit.

E. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the City of Montgomery of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- City of Montgomery
- U.S. Department of Environmental Protection
- U.S. General Accounting Office (GAO) or
- Any other federal or state funding agency

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

### **III. DESCRIPTION OF THE CITY**

A. Name and telephone number of contact persons/location of offices.

The auditor's principal contact with the City of Montgomery will be Richard Tramm, City Administrator, who will coordinate the assistance to be provided by the City of Montgomery to the auditor. The City's principal office is located at 101 Old Plantersville Road, Montgomery, Texas 77316 and the telephone number is (936) 597-6434.

B. Background information

The City of Montgomery's fiscal years begin on October 1<sup>st</sup> and end on September 30<sup>th</sup>. The City has a population of approximately 2,000, is a Type A General Law City that provides police protection, water treatment and distribution, wastewater collection and treatment, street maintenance, building and code enforcement, planning and zoning and maintenance of parks and recreation. The City has a component unit, Montgomery Economic Development Corporation. The City has contracted with H2O Innovations to provide water and wastewater collection and treatment, and with Waste Management to provide for solid waste collection and disposal. For fiscal year 2020-2021, the General Fund budget is \$3,901,735, Water & Sewer Fund budget is \$1,471,211, four Certificates of Obligation create a Debt Service budget of \$666,500 and the Capital Projects Fund budget is \$4,578,713. Hotel Occupancy, Court Technology, Court Security, Police Forfeiture Funds have little activity.

### C. Federal and State Financial Assistance

During the 2020 fiscal year, the City received the following financial assistance:

- Texas Water Development Board Funds.
- American Rescue Plan Funds

### D. Pension Plans

The City of Montgomery participates in the statewide Texas Municipal Retirement System. This program is administered by TMRS, an agent multiple employer public employee retirement system. This program is a joint contributor, defined contribution plan, but has several characteristics of defined benefit plans.

### E. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact Susan Hensley at [shensley@ci.montgomery.tx.us](mailto:shensley@ci.montgomery.tx.us) or (936) 597-3288. Prior audit reports are available on the City's website ([www.montgomerytexas.gov](http://www.montgomerytexas.gov)) and the City will use its best efforts to make supporting working papers available to proposers to aid their response to this request for proposals.

## IV. TIME REQUIREMENTS

### A. Proposal Calendar:

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

Request for proposals issued	September 29, 2021
Due date for proposals	October 28, 2021 at 3:00 p.m.

### B. Notification and Contract Dates

Selected firm notified	November 10, 2021
Contract date	November 30, 2021

### C. Date Audit May Commence

January 1, 2022

The City of Montgomery will have all records ready for audit and all management personnel available to meet with the firm's personnel as of January 10, 2022.

### D. Schedule for the 2021 Fiscal Year Audit (A similar schedule will be developed for audits of future fiscal years if the City exercises its option for additional audits.)

The auditor shall complete each of the following no later than the dates indicated:

1. Detailed Audit Plan – The auditor shall provide the City with a list of schedules to be prepared by city staff by January 18, 2022.

2. Interim and fieldwork – The auditor shall complete all interim and fieldwork by February 28, 2022.
3. Draft reports – The auditor shall have drafts of the audit report(s) and recommendations to management available for review by the City Administrator and the Senior Accounting Clerk by March 11, 2021.
4. Final report is to be delivered on March 22, 2021 and presented to the City Council at 101 Old Plantersville Road, Montgomery, TX 77316.

A similar time schedule will be developed for audits of future fiscal years if the City of Montgomery exercises its option for additional audits.

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

### **A. Finance Consultant and Clerical Assistance**

The finance staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. Personnel will be available to pull invoices, copy work papers and complete any additional items needed to complete the audit.

### **B. Work Area, Telephones, Photocopying and FAX Machines**

The City of Montgomery will provide the auditor with reasonable workspace, desks and chairs. The auditor will also have access to telephone lines, internet, and copy machine.

## **VI. PROPOSAL REQUIREMENTS**

All proposals in response to this request must meet the following conditions to be considered:

- A. Proposal must include a cover letter clearly stating the name of the firm and the name, address and telephone number of the firms submitting proposal's representative;
- B. Proposal must address each of the audit requirements as stated in this Request for Proposal;
- C. The City of Montgomery reserves the right to reject any and all proposals, and to negotiate portions thereof. Proposals that address only part of the requirements contained in this Request for Proposal will not be considered;
- D. The City of Montgomery reserves the right to select any proposal considering the quoted estimated fee and other factors as deemed to be in the best interest of the City;
- E. The firms submitting proposals shall furnish such additional information that the City may require;
- F. The City of Montgomery will not be liable for any cost incurred in the preparation of proposals; and
- G. The City of Montgomery may ask firms submitting proposals to send a representative for an oral interview prior to Council approval of a proposal. The City of Montgomery will not be liable for the costs incurred by the firms submitting proposals in connection with such interview.



## **VII. PROCEDURES FOR SUBMITTING PROPOSALS**

### **A. DELIVERY**

Responses to the request for proposal should be addressed or hand delivered to:

City of Montgomery  
Attn: Susan Hensley, City Secretary  
101 Old Plantersville Road  
Montgomery, Texas 77316

Proposals must be received no later than 3:00 p.m. on October 28, 2021 in a sealed envelope clearly labeled "RFP AUDIT SERVICES".

### **B. NUMBER OF COPIES OF PROPOSAL**

Submit fifteen (15) printed copies one digital copy of the proposal.

### **C. ASSISTANCE TO FIRMS SUBMITTING PROPOSALS**

Any person wishing to obtain additional information about the request for proposal or about the operations of the City of Montgomery may contact the individual mentioned above in Section 3.

### **D. OPENING AND READING OF PROPOSALS**

Proposals will be publicly opened and read aloud in the Council Chambers at City Hall located at 101 Old Plantersville Road, Montgomery, Texas at 3:00 p.m. on October 28, 2021.

## **VIII. STATEMENT OF REQUIREMENTS**

- A. The auditor will provide fifteen (15) copies of the written report.
- B. Satisfactory delivery of the services specified by the request for proposal and the engagement letter shall be accomplished no later than December 7, 2021. The auditor will be required to present the audit report to the City Council at the March 22, 2022 City Council meeting.
- C. The auditor is requested to provide a management letter containing comments oriented towards constructive improvements. Copies of selected audit working papers will be provided as requested by the City of Montgomery and as provided for in the engagement letter.

## **IX. ESTIMATED FEES**

Please show the estimated cost for the annual audit for the fiscal year ending September 30, 2021. Also state estimated fees for the subsequent three years, under current existing conditions, if the City of Montgomery were to request an extension of the contract. Include information indicating how the price was determined. For example, indicate the estimated

number of hours by staff level, hourly rates, and total cost by staff level. Any out-of-pocket expenses should be indicated.

**X. COUNCIL APPROVAL**

A. A proposal will be selected by November 9, 2021 barring a decision by the City Council to table or reject all proposals submitted.

B. A proposal shall be selected from those submitted using the following scoring system:

- |   |        |
|---|--------|
| 1. Prior experience auditing cities   | 0 - 20 |
| 2. Prior experience auditing county or<br>or other local government activities                                  | 0 - 10 |
| 3. Prior experience auditing programs<br>funded by State of Texas   | 0 - 05 |
| 4. Prior experience auditing programs<br>funded by the Federal Government                                       | 0 - 05 |
| 5. Qualifications of staff to be assigned<br>to the audit to be performed<br>Determined from resumes submitted. | 0 - 20 |
| 6. Familiarity of firm with City.   | 0 - 10 |
| 7. Price.   | 0 - 20 |
| 8. Other Considerations.  | 0 - 10 |

Thank you for your time and consideration in this request for proposals.